

FINANCIAL TIMES

German Greens

Why they want the euro

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Wall Street

The best may be yet to come

Richard Lambert, Page 16

Zionism centennial

Basle festival recreates excitement

Arts, Page 15

Pakistan

Courage needed to face the flaws

Survey, Pages 9-14

Madrid considers \$787m sale of military property

Spain's defence ministry has asked NatWest Markets, investment banking arm of UK-based National Westminster Bank, and accountants Arthur Andersen to advise it on disposing of £1.2bn (\$787m) of military property, including land and operational headquarters. Options open to the Spanish government could include either an outright sale or a sale and lease-back arrangement, allowing the Spanish military to continue using the properties. Page 16

\$16bn loan deal for Thailand: The International Monetary Fund and seven Asian countries yesterday unveiled a \$16bn loan deal to help Thailand over its recent currency turmoil. China is also expected to participate. Page 18; Self-interest, Page 6; Carmakers cut Thai plans, Page 4; Observer, Page 17

Tyre profits jump: New products and cost-cutting spurred Germany's big tyre maker, Continental, to a 73 per cent leap in interim profits. The year's figure rose to DM200m (\$112m) from DM120m last year, beating analysts' expectations. Page 19

Euro 'would boost travel': A single European currency could give a big boost to business and leisure travel, and would reduce travel costs, says a report for the Association of British Travel Agents. It concluded that European economies were likely to perform better if the euro launch succeeded, leading to more travel. Insurers short of cover for euro, Page 2

French boat accident: A cruise boat on the river Seine hit a bridge near the Louvre Museum in Paris, injuring 38 tourists, at least one of them seriously. Page 3

Move in US post strikes: Teamsters union and United Parcel Service leaders agreed to separate meetings with US labour secretary Alexis Herman in a bid to end the eight-day strike at the package carrier. Talks between the parties broke down at the weekend. Page 3

Libya-bound cargo seized: Secret police in the Italian port of La Spezia uncovered sophisticated, German-made missile-making equipment bound for Libya. The equipment, found in three cargo containers, was seized by officers who had been tracking them since January. Page 4

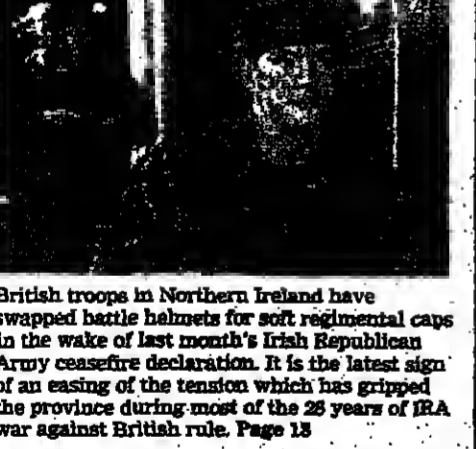
Condensed books: Reader's Digest Association chief James Schadt has quit a month after cutting the company's dividend and earnings forecasts. In April, the troubled publisher reported third-quarter earnings down 31 per cent to \$7.6m. Page 19

Vietnam investment hitch: A mystery company suspended involvement in a \$1bn Vietnam property scheme, leaving a gaping hole in the country's foreign investment figures. The development was to have been the biggest foreign project in Ho Chi Minh City since Vietnam opened to foreign investment. Page 6

Ford's UK car sales: UK market leader Ford saw its share of new car sales plunge last month as big importers took 70 per cent of registrations. It captured just under 12 per cent compared with 14.6 per cent in July 1996. Page 7

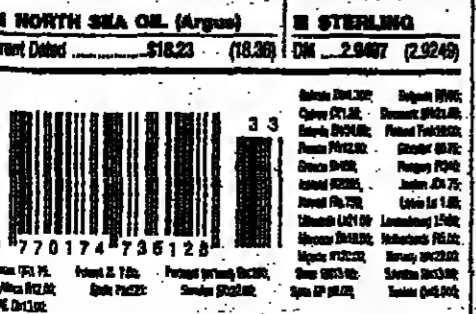
Fossil clutch: A fossil expert has found at least 10 dinosaur eggs in western Canada. The fossilised eggs could have been those of a duck-billed Hadrosaur or a horned and crested Ceratopsian, the scientist said. Page 8

Hard hats off in Northern Ireland: British troops in Northern Ireland have swapped helmets for soft regimental caps in the wake of last month's Irish Republican Army ceasefire declaration. It is the latest sign of an easing of the tension which has gripped the province during most of the 26 years of IRA war against British rule. Page 13



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| STOCK MARKET INDICES | | | |
|------------------------|-----------|-----------|---------|
| New York: Dow Jones | 8,007.53 | (+21.00) | (1.3%) |
| NASDAQ Composite | 2,586.42 | (+14.10) | (0.5%) |
| Europe and Far East | | | |
| CAC 40 | 2,893.44 | (+12.83) | (0.4%) |
| DAX | 2,332.13 | (+21.02) | (0.9%) |
| FTSE 100 | 5,001.9 | (+10.5) | (0.2%) |
| Nikkei | 18,034.16 | (-780.28) | (-4.3%) |
| US LUNCHTIME RATES | | | |
| Federal Funds | 5.25% | | |
| 3-month T-bill | 5.277% | | |
| Long Bond | 6.61% | | |
| Yield | 6.65% | | |
| OTHER RATES | | | |
| UK 3-mo Interbank | 7.4% | (80.00) | |
| UK 10 yr Gilt | 10.1% | (101.1) | |
| France 10 yr OAT | 9.5% | (95.85) | |
| Germany 10 yr Bund | 10.25% | (102.25) | |
| Japan 10 yr JGB | 10.25% | (102.25) | |
| NORTH SEA OIL (August) | | | |
| Brent Dated | \$18.23 | (18.23) | |
| WTI | 2.947 | (2.947) | |
| STERLING | | | |
| London: £ | 1.5807 | (1.5794) | |
| New York: £ | 1.5807 | (1.5807) | |
| Frankfurt: £ | 1.5807 | (1.5807) | |
| Paris: £ | 1.5807 | (1.5807) | |
| Japan: £ | 1.5807 | (1.5807) | |
| Gold: £ | 1.5807 | (1.5807) | |
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| Maldivian: £ | 1.5807 | (1.5807) | |



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Group set to become one of world's top 10 financial services companies

Credit Suisse in \$9.5bn 'merger' with Winterthur

By William Hall in Zurich

Credit Suisse Group is set to become one of the world's top 10 financial services companies as a result of its agreed \$9.5bn (\$9.47bn) takeover bid for Winterthur Group, Switzerland's third biggest insurer, launched yesterday. The acquisition, which both sides said yesterday that Mr Ebner's presence on the share register had contributed to the uncertainty and accelerated the announcement, but that the merger could not be construed as a defensive move to prevent Winterthur falling into his hands or those of a foreign insurance company.

The new group, with 60,000 staff and 15m customers, will rank as Europe's fifth largest financial services group and the third largest global asset manager with assets under management of \$770bn. In terms of its market capitalisation of just over \$500bn, it will be slightly smaller than ING, the Dutch group formed

from the merger of Nationale Nederlanden, Holland's biggest insurer, and NMB Postbank, the country's second biggest bank. The deal follows months of speculation over Winterthur, in which Mr Martin Ebner, Switzerland's best known corporate predator, has built up a substantial stake. The two sides said yesterday that Mr Ebner's presence on the share register had contributed to the uncertainty and accelerated the announcement, but that the merger could not be construed as a defensive move to prevent Winterthur falling into his hands or those of a foreign insurance company.

Officials close to Mr Ebner, who is believed to control, directly and indirectly, close to 30 per cent of Winterthur, indicated the deal was "a reasonable industrial solution done at a fair price". Winterthur's shares have risen by more than a third since Mr Ebner

announced he had become its biggest shareholder in May. The acquisition is also a coup for Mr Rainer Gut, 65, who has headed Credit Suisse since the early 1980s. After his plan last year to merge with Union Bank of Switzerland, his bank's main rival, was rebuffed, Mr Gut responded by undertaking a restructuring at Credit Suisse and poaching chief executive Mr Lukas Mühlemann, who had masterminded the restructuring of Swiss Reinsurance.

Although Credit Suisse is buying Winterthur after its shares have nearly doubled this year, analysts welcomed the deal because of Mr Mühlemann's presence on the board. Mr Gut, who will be chairman of the enlarged group, said that the "traditional distinction between banking and insurance is a thing of the past". By joining forces the two groups expect to be able to cut costs and increase reve-



Credit Suisse chairman Rainer Gut (left) and Winterthur chief executive Peter Spälti yesterday announced a merger which will create Europe's fifth largest financial services group. Picture: Reuters

nues by at least Sfr350m within three years. Unlike other recent mergers, there will be relatively few job losses with 500 expected to be covered by natural wastage. The two companies formed a strategic alliance last year and have been co-operating in areas such as pensions. Credit Suisse claims the merger will

boost its equity base and make its earnings less volatile, but will dilute its earnings by an estimated 8 per cent in 1997 and 4 per cent in 1998. Credit Suisse will issue 70m new shares to buy Winterthur's 9.45m outstanding shares in a deal which values them at Sfr1.522 - a premium of 7 per cent over the average

price of Winterthur shares over the last 30 days. The shares fell Sfr18 yesterday to Sfr149.7. Credit Suisse shares, which have risen by more than 50 per cent this year, closed Sfr350 lower at Sfr205. Imperfect harmony, Page 17 Merger details, Page 21 Lex, Page 18

Athens games loss hits Greek Olympic ambitions

By Karin Hope in Athens

The world athletics championships in Athens - blighted by overpriced tickets, poor marketing and an apathetic local audience - have embarrassed Greece in the final stage of its attempt to stage the 2004 Olympic Games. The country's cash-strapped Socialist government will have to cover an estimated Dr15bn (\$60m) of losses caused by spending overruns and the shortage of paying spectators at the 10-day competition, which ended on Sunday.

But in between there were several evenings when the 50,000-seat stadium was barely a quarter full and the organisers had to offer free tickets to schoolchildren and youth organisations. Income from ticket sales, projected at Dr2.5bn, is likely to be less than Dr500m, officials said.

Segas, the Greek sports federation and official organiser of the championships, agreed a Dr10bn budget for the event with the sports ministry. A Greek sports official said: "The basic costs - refurbishing the stadium and putting in the media facilities - were within budget. The problems came with the extras: providing transport, hotels and security for the athletes and, of course, entertainment." Athens is one of five cities shortlisted for the 2004 Olympics. Its chances of being selected by the International Olympic Committee in next month's vote were believed to depend to a large extent on organising a successful championship.

But the events were poorly attended, partly because ticket prices, at Dr7,000 for a seat in the top tiers of the stadium, seemed expensive to Greeks.

Nervous Nikkei falls below 19,000

By Gwen Robinson in Tokyo

The Tokyo stock market lost 4 per cent of its value yesterday in its biggest single-day decline of the year, as the sharp decline in New York stocks on Friday and the dollar's slide against the yen dealt fresh blows to investor sentiment. The Nikkei 225 average slid 780.28 to close at 18,824.18, below the 19,000 level for the first time since late April, and down nearly 7.5 per cent since July 31.

Before last week many analysts had been hailing the recovery of the Tokyo market, which had risen substantially since the March 31 fiscal year-end when the Nikkei 225 average closed at 18,034.40. The

overall outlook has now been clouded by evidence that the economy has not yet recovered from the impact of the April increase in sales tax.

Industrial production remains weak while manufacturers' inventories are soaring, reflecting manufacturers' concern about sparking off trade frictions with the US and weak domestic demand. The latest economic data, indicating declining industrial production and a soaring current account surplus, set the stage for yesterday's rout, feeding fears that Japan has entered a mini-economic down-cycle.

Stocks were sold virtually across the board by foreign investors and domestic institutions. The slide accelerated in

the afternoon as Nikkei-225 futures fell in Osaka on heavy selling by hedge funds.

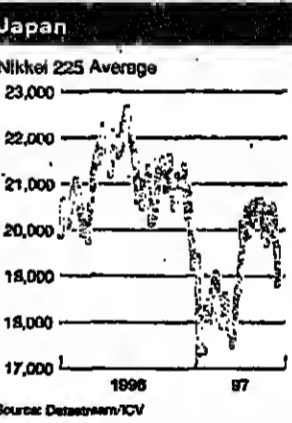
Within the market, share prices are expected to continue to suffer from the steady unwinding of cross-shareholdings between banks, financial institutions and client compa-

nies, which have traditionally held shares in each other with little regard for profitability.

The recent series of weak economic figures is also likely to prompt companies to revise their earnings outlooks down for the business year to March, further weighing on investor confidence. A measure of the

moribund state of investor sentiment was the weak performance of Japanese government bonds in the face of yesterday's stock market plunge. The yield on the benchmark 10-year JGB fell to 2.100 per cent from 2.105 per cent on Friday, and the price rose to 106.23 from 106.19.

Among the few winners of the day was Yamaichi Securities, which has been falling on reports of its involvement in the widening racketeer payoffs scandal. The stock rose Y30, or 13 per cent, to Y259 (\$2.15) following the company's announcement of the resignation of its top executives. Analysts said the market took the news as a positive sign that Yamaichi was dealing with the scandal, but traders said a



more important factor was market speculation that Yamaichi was planning to merge with another financial institution, possibly a Japanese bank.

Republican anger as Clinton wields first budget veto

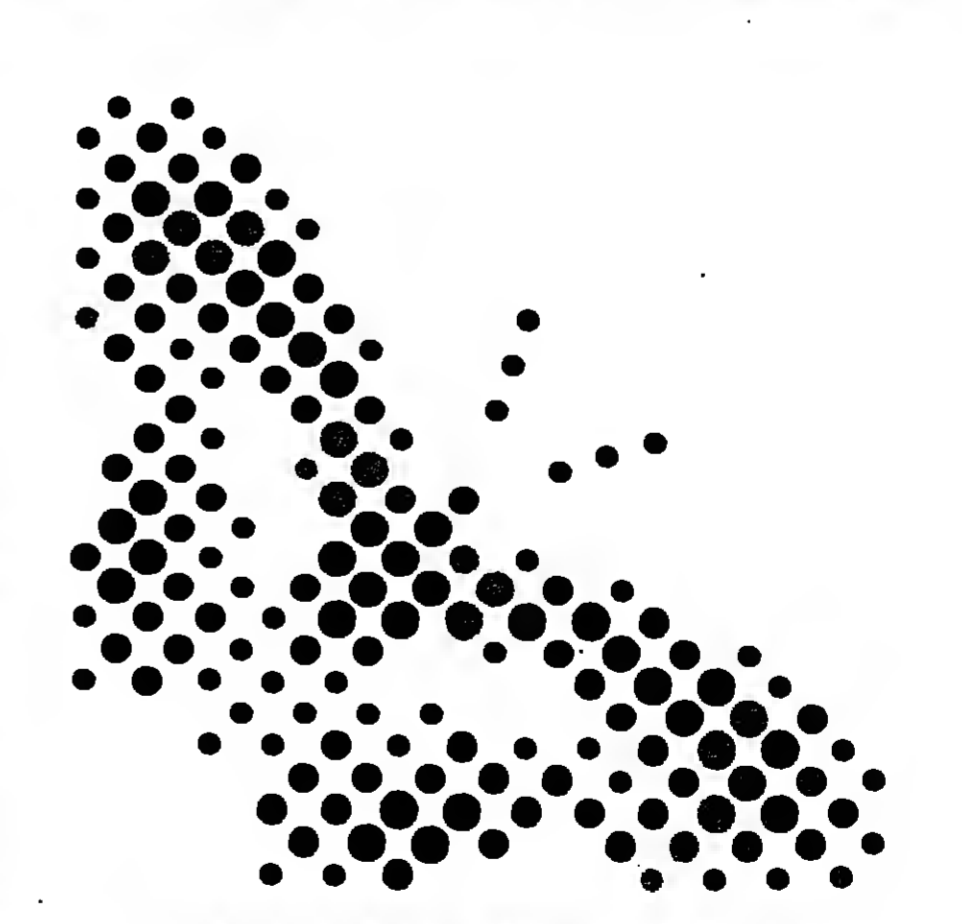
By Nancy Dunne and Mark Suzman in Washington

US President Bill Clinton yesterday infuriated Republicans by targeting a large contributor to their party in his first use of the veto over individual provisions of budget legislation.

The president struck out three measures in the legislation signed last week and pronounced his intention "to protect taxpayers and to ensure that national interests prevail over narrow interests". The president said he had scrupulously avoided vetoing any provision agreed with Congressional Republicans during negotiations over the budget bill two weeks ago. However, Mr Newt Gingrich, House speaker, said Republicans had been "blindsided" when they had "acted in good faith". The president was engaging in "petty politics". One of the vetoed provisions was to allow farm co-operatives to pursue vertical integration. This could have given \$60m in tax breaks for the sale of a Utah sugar-beet refinery by a company controlled by Mr Harold Simmons, a leading Republican contributor.

This was "well-intended" but "poorly designed", Mr Clinton said. He would work with Congress to rewrite it. "It could have benefited not only traditional farm co-ops but giant organisations which do not need... the law's benefits."

Mr Clinton also vetoed: ● A measure allowing large security and investment firms with foreign subsidiaries trading abroad to treat their profits on investments in the same way as manufacturing firms - whose profits are not taxed until they are repatriated. In practice, White House officials said the provision would have allowed financial services companies to shelter income in foreign tax havens. ● A provision allowing New York state to tap into the US Treasury to reduce its expenditure for Medicaid, the health-care programme for the poor. "No other state would be given this provision, and it is unfair to the rest of the nation's taxpayers to ask them to subsidise it," the president said. "Special interests will not be able to play the old game of slipping a provision into a massive bill in the hope that



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German Greens leader backs Emu

By Ralph Atkins in Bonn

Germany's Green party will insist on maintaining support for European monetary union if it forms a government with the Social Democrats (SPD) after next year's national election, according to Mr Joschka Fischer, the Green parliamentary leader.

In an interview with the Financial Times, Mr Fischer accused Mr Gerhard Schröder, high-profile prime minister of Lower Saxony and likely SPD chancellor-candidate, of "opportunism" in raising doubts about plans to launch the euro on January 1, 1999.

"He is looking at the polls and what the majority is thinking or feeling. If the majority thought that the moon was not round, he would say that it was something else. I don't take it very seriously," Mr Fischer said.

The comments by Mr Fischer, the most influential of the Greens' leaders, are an important part of the positioning by Bonn politicians

ahead of the general election in September 1998. At 11 per cent in recent opinion polls, the Greens - in conjunction with the SPD on 41 per cent - could easily end up in government.

The SPD is expected to choose its chancellor candidate next spring. The Greens will take a formal decision on European policy in November, but Mr Fischer said: "I'm sure that there will be a great majority of party members supporting the euro."

Mr Schröder has argued it would be better to delay the euro if the effort to meet the convergence criteria set out in the Maastricht treaty proved too onerous.

But Mr Fischer noted the SPD had a strong pro-European tradition, and predicted the Lower Saxony prime minister would not continue to take such a sceptical stance. "Otherwise he won't get the chance to become the SPD's chancellor candidate."

Despite the public's scepticism, Greens should support further integration as a

means of addressing pressures created by economic globalisation, Mr Fischer said. "Even national states as large as Germany, France and Great Britain will be too small for the social and economic processes of this globalised world."

Not only jobs were at stake. "Which philosophy, which kind of capitalism do you follow? These are very important questions for continental Europe... If the euro does not come, the US will define the development of a globalised economy in the 21st century. Decisions will be made in Washington and New York."

Without the euro, Mr Fischer added, "mistrust" of Germany would resurface. "The D-Mark would be the de facto European currency, the Bundesbank would be the de facto European central bank. But the currency and central bank are only linked to national laws and national interests - and that would create a lot of tensions with our neighbours."

For these reasons, Mr



Joschka Fischer: 'Most important is the trend in the economies... that there is real economic convergence'

Fischer dismissed as "non-sense" the domestic debate on whether the Maastricht criteria meant Germany had to bring its public sector deficit to exactly 3 per cent of GDP or below.

Mr Fischer said: "Most

important is the trend in the European economies which take part in the common currency, that there is real economic convergence." He favoured Spanish and Italian membership of the new currency. "And I'm sure

Great Britain will follow."

Mr Fischer berated Chancellor Helmut Kohl for not calling a referendum on the euro, saying Mr Kohl feared "the Thatcher virus" would nip his Christian Democratic Union apart.

Similarly, it was Mr Kohl's political weakness - not any failings in the Germany's constitution - that caused the recent collapse of plans to reform the country's complex and inequitable tax system. The proposals were blocked by the Bundesrat.

Does Mr Fischer worry about the effect of the *Reformgesetz* - or *Reform* - on Germany's ability to reform? "I'm very worried but I'm not as pessimistic as articles I read in the British and American newspapers. *Reformgesetz* is a problem of politics, not society or business."

Look at the reorganisation of German industry, he said, and changes that have affected employers and unions. "They are both very dynamic and have solved a lot of problems."

Bucharest firm on company closures

By Anatoli Lieven and Matej Vipotnik in London

The head of the Romanian State Ownership Fund, Mr Sorin Dimitriu, yesterday confirmed the government's determination to close 17 large loss-making companies, despite protests at the weekend by some 20,000 of the workers who are to lose their jobs.

In the town of Ploiesti, workers from the oil refinery clashed with police, leaving at least four policemen injured.

The government's announcement of the closures on Friday came after strong pressure from an International Monetary Fund delegation. The delegation visited Bucharest over the past fortnight to form an opinion on the release of the second tranche of a \$430m IMF standby loan.

The government announced yesterday that supplies of energy and raw materials to the plants had been cut off. Officials have been sent to the companies scheduled for closure, to convince the workers of the decision's irreversibility.

According to government figures, the 17 companies, which are in the petrochemical, food-processing and machine-building sectors, have total losses of around \$400m.

After months of haggling, the list of companies appears to mark an agreement between government institutions. Up to last Friday, the Reform Ministry, Energy Ministry and State Ownership Fund had been at odds over which plants should be shut.

Mr Dimitriu hinted at a follow-up list of loss-making companies marked for possible restructuring or closure. He accused the managers of the 17 plants of "irresponsibility", suggesting their demands for tax cuts, subsidies and debt-rescheduling were incompatible with the government's vigorous restructuring plans.

Some managers have reportedly resisted closure by refusing to disclose to banks the employee lists needed to calculate hand-outs. The government is planning to pay 12 months' wages to those losing their jobs.

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Insurers short of cover for euro

By Christopher Adams, Insurance Correspondent

A huge amount of damage was caused by the recent floods in east Germany, the Czech Republic and Poland, but most of it was uninsured. If that reveals a startling complacency among Europe's insurance companies, the same could be said about industry preparations for the single European currency.

With monetary union expected to be launched in less than 17 months, experts say insurers are lagging behind banks and other financial services providers in sizing up the opportunities and problems that such a big transition will bring.

For example, the cost to insurers of simply converting computer systems to handle transactions in a single currency was put at £5bn (\$8.15bn) in a recent survey by consultancy Cap Gemini, a sum which it says few have budgeted for.

Increased competition, spurred on in part by EU directives of recent years, is slowly breaking down the dominance of national champions across Europe, but has yet to spread much outside domestic markets.

The introduction of a single currency, however, could trigger an unprecedented scramble for market share. Many products would be

The introduction of a single currency could trigger an unprecedented scramble for market share

instantly comparable across national borders and widespread consolidation could follow.

"So far buying habits haven't been conducive to buying across frontiers because the natural distribution system doesn't encourage it. But as Europe unites, people will be prepared to buy cross-border more," says Mr John Carter, chief executive of Commercial Union, the UK-based insurance group.

CU derives more income from Europe than any other UK insurer and has a large presence in France. But its

broad geographical reach is unusual. In both Germany and France, a strong network of agents tied to local insurers has combined with conservative buying habits to ensure that efforts to introduce greater competition have been slow to take effect.

The group is examining how it could exploit the transition to a single currency. It

plans this year to set up a life assurance company based in Luxembourg which will test appetite among consumers elsewhere for products offering certain fiscal advantages.

But some insurance executives believe it could be many years before the single currency has much effect on buying habits. The varying fiscal regimes across Europe and familiarity with what is already on the market may prove to be a barrier to change.

"Regulation and tax regimes are still very different," says Mr Jeancourt-Gal-

lani, chairman of Assurances Générales de France. "It will take a long time for insurance products to become comparable."

Life assurance and pensions are about saving for retirement in a tax-efficient way, he says. Whatever advantages there are in buying from a foreign insurer, customers will still have to comply with the tax rules

that prevail in their own country.

The main benefits of a single currency will probably fall to insurers with a customer base among multinational companies who buy a wide range of insurance, protecting against everything from factories burning down to fleets of commercial vehicles.

Significant savings could arise from establishing pan-European processing centres able to handle the payment of premiums and claims in a single currency. Transaction costs would fall and companies would be able to match

assets with liabilities more easily.

But Cap Gemini warns that monetary union carries with it significant risks for the ill-prepared. Despite the potential benefits, it says few companies are equipped for the switch to a single currency.

In the UK, for example, where there is a widespread perception Britain will not participate in the first wave of monetary union, the big composite groups are expected to have to spend up to £80m each on converting computer systems.

However, less than 5 per cent of UK-based insurers have begun this task. The highest challenge facing these companies will arise when the large multinational demand they be able to pay their premiums in euros rather than local currency.

This could cause administrative chaos in an insurance company which has not adapted its systems to cope. While there is no obligation to meet such demands for the early years of monetary union, refusal by an insurance company to do so could lead to eventual loss of business.

Italy scheme keeps car sales afloat

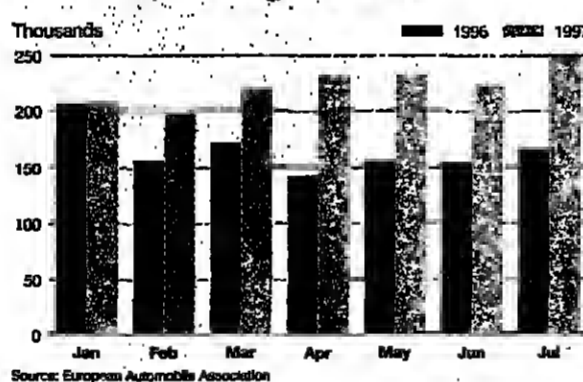
By Haig Simonian, Motor Industry Correspondent

The Italian government's decision to extend an incentive scheme for buying new cars has come as a godsend to Europe's embattled car-makers.

While higher demand in Spain and the UK have buttressed European car sales this year, the Italian incentives, which encourage motorists to swap their old cars for new ones, have delighted manufacturers suffering from overcapacity and cut-throat competition.

New car sales in Italy soared to 246,500 last month - a July record and more than 54 per cent above the previous year. That pushed sales to 1.56m in January-July - 34 per cent more than the same time last year - and made Italy easily the fastest growing car market in Europe. So buoyant have sales been that the country's motor industry federation last week upped its forecast

Italian new car registrations



to 2.3m for the full year, 600,000 more than in 1996.

The scheme offers drivers trading in a car at least 10 years old a government handout of L1.5m-L2m (\$830-\$1,110) off the price of a new vehicle. The incentives are matched by similar discounts from manufacturers. One reason for the spectacular success has been the advanced age of many cars in Italy.

The risk, however, is that

incentives can be addictive. The termination of a two-phase programme in France last year resulted in a rout: registrations fell by almost 24 per cent in the first six months of this year and show little sign of recovery.

"The trick is the timing," says one analyst. "A short, sharp campaign can stimulate late sales and even make money for the government, as the extra value added tax from additional sales more

than outweighs the incentives." The Italian government expects to generate L800bn in tax revenues through the scheme this year.

However, the French experience has highlighted the perils of prolonging incentives. Such schemes can pull forward sales and distort the market. Getting buyers used to discounts can also erode price discipline. Some French drivers have demanded manufacturers' discounts, irrespective of whether their old car qualified under the scheme.

The Italian authorities have tried to avoid these pitfalls by learning from Madrid. The Spanish government's original 1994 incentive programme was successfully prolonged by a modified scheme offering smaller discounts on a wider range of vehicles. As a final step towards a soft landing, the government permanently cut the 12 per cent registration tax to 7 per cent for new cars of up to 1,600cc

when the scheme expired.

The Italians hope to do much the same by softening the impact of the original incentives in the two-phase extension period to run from the end of September to July 31 1999. During this period, incentives for larger cars will be reduced, and will be linked to fuel consumption.

The Italians are also watching to ensure that the scheme benefits domestic carmakers. Protecting jobs at Renault and Peugeot-Citroën was one of the reasons behind the French programme. But as the scheme was prolonged, foreign brands benefited more.

So far, that has not happened in Italy. Sales of Fiat group cars surged 38 per cent in the first seven months of this year.

That boosted Italy's leading industrial company. It also lessened the government's financial burden of meeting special salary payments for thousands of laid-off car workers from the previous market downturn.

EUROPEAN NEWS DIGEST

Eastern states resist Bonn cuts

Germany's eastern states yesterday closed ranks to resist attempts by the federal government to reduce subsidies significantly to the region as part of Bonn's efforts to cut spending.

At a meeting in Berlin with Mr Günter Reitzelt, federal economic minister, the economics ministers from the six eastern states warned that the proposed cuts of DM700m (\$830m) in federal funds in 1997 and next year would worsen the climate for investors and threaten jobs. The ministers were intended for a subsidy programme called the Common Initiative for the Improvement of Regional Economic Structure, which is financed jointly by the federal government and the states.

Under this matching principle, the eastern ministers said that a DM700m reduction in the federal contributions to the programme, which is generally considered to be the most effective subsidy instrument because it is targeted to specific investment initiatives, would result in an overall cut of DM1.4bn in subsidies to the region.

Frederick Stüdemann, Berlin

TURKEY MOVES ON ISLAMISTS

Charity officials held

Turkish police arrested three officials of a charitable foundation linked to the Islam-based Welfare party as part of a legal investigation, the Anatolian news agency said yesterday.

The agency said the three National Youth Foundation (MGV) officials had been arrested in Nevşehir province after searches of the organisation's premises.

Police seized videotapes featuring controversial Islamist politicians and illegal religious books. Prosecutors said they had decided to pursue a legal investigation into the MGV after searching its premises nationwide.

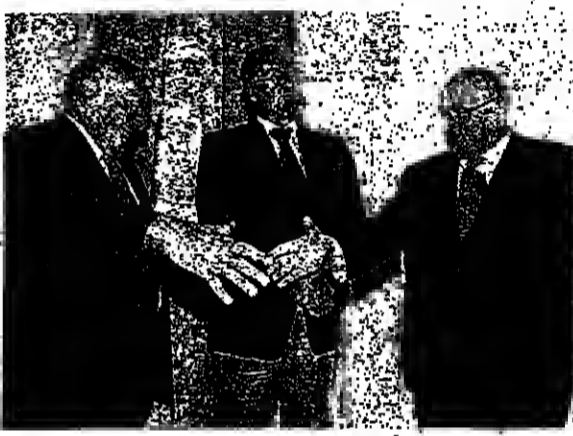
A prosecutor, Mr Nuh Mete Yuksek, said that during the searches of MGV premises prosecutors found evidence implicating the group in political activities. Under Turkish law, charitable foundations must be non-political. The investigation is the first step which could lead to prosecution and closure of the MGV.

Reuter, Ankara

CYPRUS TALKS

Denktash, Clerides meet again

Mr Glafcos Clerides (below, left), the Greek Cypriot president of Cyprus, and Mr Rauf Denktash (below, right), the Turkish Cypriot leader, began a new round of talks



yesterday aimed at achieving a comprehensive settlement of one of Europe's longest-running disputes.

The two leaders began negotiations over lunch at a hotel in Glion, outside the Swiss resort of Montreux. A media blackout was imposed on the talks, which were expected to last up to five days.

Reuter, Montreux

ALTO ADIGE PROVINCE

Italian separatist jailed

A German-speaking Italian separatist was sentenced yesterday to 22½ years in jail for murdering a councillor and former ally in north-east Italy. Mr Peter Paul Rainer, 30, pleaded guilty to the murder of Mr Christian Waldner last February in the mainly German-speaking Alto Adige province.

Both men supported the return of the autonomous province to Austria. Mr Rainer had confessed to wanting to kill Mr Waldner because the latter threatened to reveal that Mr Rainer had fraudulently enrolled at Innsbruck university in southern Austria. But in court he said the confession had been obtained under duress, and denied killing Mr Waldner. Both men were leaders of Freiheitlichen, a separatist movement close to Austria's extreme rightwing Freedom party.

AFP, Bolzano

SWEDEN'S OLYMPIC BID

Extremist group bomb claim

Sweden's national news agency TT received a letter yesterday claiming that an extremist group opposed to Stockholm's bid for the 2004 Olympic Games was behind last week's bomb blast at the city's Olympic stadium. The letter, purportedly from a group calling itself "We who built Sweden", also warned of further attacks unless Stockholm withdraws its bid for the games. "We are the ones who burn and blow up sports arenas," the message said. "We have large reserves of explosives, automatic weapons and ammunition. Do not doubt our determination and ability."

Politicians and sports officials said the bombing would have no effect on Stockholm's chances of winning the Olympic bid. But the newspaper Aftonbladet summed up what many people feared. "End of the Olympic Dream," it said in a headline. "After last night's bomb, we don't have a chance."

AP, Stockholm

DISEASE OUTBREAK IN RUSSIA

Typhoid hits 170 people

Almost 170 people were taken to hospital in the southern Russian republic of Dagestan in an outbreak of typhoid, officials said yesterday. Forty-six people were diagnosed as having the disease and the rest were still undergoing checks, said the Emergency Situations Ministry. Officials blamed the outbreak on poor sanitary standards, as many water wells in the region had not been cleaned for up to 30 years because of lack of funds. Most of those taken to hospital were from the village of Tabaskhakh. Heavy rain has caused the sewage system to leak sewage into water wells, the ministry said.

AP, Moscow

ALBANIA MISSION

Last foreign troops pull out

General Luciano Fardelli, commander of the multinational protection force in Albania, led the last troops out of the troubled Balkan country yesterday and declared the mission a success. "The mission was very positive. Its target was achieved in a very efficient way," the Italian general said at Rinas airport, north of Tirana.

Italy spearheaded the force of some 7,000 soldiers from 10 nations, which was deployed across Albania in April after a violent uprising, ignited by the collapse of get-rich-quick savings schemes, left the army and police in disarray and state authority in tatters. Operation Alba (Italian for dawn) aimed to protect civilians, restore humanitarian aid and ensure free general elections would be held in relative calm.

Reuter, Rinas, Albania

مركز الأخبار

Labor Secretary in UPS strike talks

By Richard Tomlinson in New York and Nancy Dunne in Washington

United Parcel Service and the union representing its blue-collar workers yesterday agreed to hold separate meetings with Ms Alexis Herman, the US Labor Secretary, in a fresh attempt to end a strike at the nation's biggest parcel carrier.

Ms Herman said leaders of both sides had agreed to meet her late yesterday in the Washington offices of the department following the breakdown of talks between the two sides on Saturday.

"I intend to talk to each party individually to find out what it will take to move these talks forward, and to urge greater flexibility and a willingness to compromise to get back to the bargaining table," Ms Herman said.

The strike, called by the International Brotherhood of Teamsters over the terms of a new labour contract, is now in its second week but has brought to US business, President Bill Clinton has declined to intervene.

Yesterday Mr Clinton's spokesman, Mr Mike

McCurry, said the strike was a concern, but that the conditions for presidential intervention had not been met. Under the Taft-Hartley Act, the president needs to be convinced that the nation's health or safety is imperilled before he can order workers back.

The administration, which has demonstrated a mastery of balancing the various interests in Washington, has shown no signs of invoking the Taft-Hartley provisions in spite of strong pressure to do so from the business community.

Even Mr Robert Rubin, the Treasury secretary who is given credit for creating the booming economic environment, is clearly unwilling to interfere.

"It is very important in our economy that the economy not only grow, but that it work for all the people who work," he said on Sunday. "And clearly, the question of dividing the benefits is one that employers and employees work out among themselves."

"I think it is very important that we have an economy that works for working Americans and that

middle-income Americans, lower-income Americans share in the benefits of economic growth."

It has not been forgotten that the president's re-election would not have happened without labour's support, including the \$35m the movement contributed to the party.

Next month the president will shift gears, turning against his labour allies again, when he formally presents his request for the new "fast-track" trade negotiating authority. Under the authority Congress would pledge not to amend trade pacts after they are negotiated, but only vote for or against. Labour will fight this tooth and nail.

"The White House is not looking forward to the fast-track fight," said Ms Thea Lee of the AFL-CIO, the large union federation. "We have been in discussions with them. They would like to please us, but there will be an unhappy ending. Our position is unyielding."

If the White House helps labour win on UPS, it could go some way towards assuaging the bitterness over fast-track.



Ron Carey, Teamsters chief wearing a strikers' ribbon

"This is a very momentous strike," said Ms Lee. "The issues are very strong - the two-tiered labour force, part-time workers - winning it would be a major victory."

Nestlé chief in drugs case

By Johanna Tuckman in Guatemala City

The head of Nestlé in Guatemala, 60-year-old Mr Andreas Hänggi and his son Nicolas are due to give testimony before a court in the Eastern coastal town of Puerto Barrios today. In connection with a drug trafficking scandal dubbed the "German Connection" by the local press.

Guatemalan legal procedures require the judge hearing the statement to decide whether the initial evidence against the suspects is enough to merit keeping them in prison during a statutory three-month period of pre-trial investigation.

The two Swiss nationals were arrested last week during a flurry of police operations that also put a third Swiss, Mr Silvio Giovannoli, and local regional police chief Mr Jose Luis Zebadua behind bars in the capital. The detention followed leads given by two Germans arrested earlier this year in Germany.

The anti-drug unit of the Guatemalan national police alleges that the Swiss were the key figures behind a front company known as Sesentas. It is alleged to have shipped ornamental plants to Germany, Switzerland and Spain with cocaine hidden in the walls of the refrigerated containers used to protect the flora. Mr Zebadua was allegedly responsible for protecting the ring from police curiosity.

In recent years Guatemala's reputation as an important link in international narcotics trade has grown, with seizures of illegal drugs by the local authorities on the rise. "Guatemala is both a transshipment and a warehouse. Drugs are stored here while their export on to the USA and Europe is planned," the police said.

The anti-drug unit seized 3,675kg of cocaine in 1996.

Puerto Rico to sell telecoms

Mr Pedro Rossello, Puerto Rico's governor, has authorised the sale of the island's telephone company, following approval of the privatisation by legislators. He said the government would determine the price it would accept for the company and then invite bids.

The Puerto Rico Telephone Company has had a monopoly on telephone services in the island for 22 years and its divestment has been influenced by decisions by the US Congress to deregulate telecommunications services in the US, opening companies to competition. Puerto Rico, which has a population of 3.5m people, is a US possession.

The company is one of the most profitable in the island. It has a network of 1.5m lines, and reported a \$130m profit last year on revenues of just over \$1bn. It has assets of \$2.2bn.

Camute James, Kingston

ECUADOR CONSTITUTION

Protest blocks highways

Indigenous organisations in Ecuador have blocked the main interprovincial highways in a 48-hour national protest that started yesterday. Their barricades will severely disrupt public transport and food supplies.

The groups are protesting against the postponement by Congress until August 1998 of a national assembly to reform the constitution. They are supported by social movements and public sector unions, who also plan a series of protests over the coming week. Ecuadoreans voted in favour of the assembly in a referendum on May 25. The protests are an uncomfortable reminder to the government of Mr Fabian Alarcon of the nationwide protest which brought down the previous government of Mr Abdala Bucaram in February. Although they are not expected to reach a similar scale and do not command the same breadth of popular support, President Alarcon is already said to be considering bringing the date of the national assembly forward, possibly to the beginning of 1998.

Among the constitutional issues which protesters want the assembly to discuss are recognition of indigenous rights and protection of so-called "strategic" areas of the economy, such as the oil and electricity industries, from privatisation.

Justine Newsome, Quito

PERU DRUGS

Police claim vital capture

Peruvian authorities say they have captured a man they claim is one of the country's most wanted drug barons, sought also for his links with the Maoist Shining Path guerrillas.

Mr Waldo Vargas Arias, better known as "The Minister", is alleged to have run a vast drug operation for 17 years based in the Upper Huallaga coca cultivation area in the Andean jungle, some 600km north-east of Lima. Police claim he provided Colombia's Medellin and Cali drug cartels with cocaine and heroin.

Peruvian police allege Mr Vargas dealt with Shining Path leaders and hired guerrillas for protection in the Upper Huallaga towns of Uchiza and Tocache, where he allegedly ran laboratories that refined the paste extracted from the coca leaf into cocaine. Mr Vargas has also been linked to guerrillas in the Colombian Revolutionary Armed Forces (FARC).

AFP, Lima

Row over Mexico crime crackdown

By Daniel Dombey in Mexico City

Mexico City's mayor-elect, Mr Cuauhtémoc Cárdenas, yesterday returned from a victory tour of South America to a bitter political row over an anti-crime offensive in the city.

Thousands of policemen, accompanied by sniffer dogs, marksmen hearing rifles with infrared sights, and a helicopter equipped with night-vision, have stormed some of the city's most notorious neighbourhoods over the past few days.

The climax of an effort that began in March the

operation has been a response to the increasing lawlessness which has become the city's biggest political issue. But it has also been interpreted as an attempt to embarrass Mr Cárdenas, whose leftwing platform rules out similar tactics when he takes office in December as the first democratically elected mayor in living memory.

In an effort spearheaded by Chief of Police General Enrique Salgado, a 61-year-old veteran of the rough southern state of Guerrero, dozens of houses have been stormed, hundreds of cars have been stopped and thousands of

suspects have been arrested. Between Monday and Friday last week, over 2,500 people were detained. In opinion polls an average of almost 750 crimes a day, principally robberies of cars, or car parts and muggings, in ten of the most infamous neighbourhoods the crime rate has doubled in two years, as the economic fallout from Mexico's disastrous 1994 devaluation has continued.

But opposition politicians say the operations have ignored human rights and detained people solely on the basis of suspicion, charges the general denies. "In decent countries, you do not have the army patrolling the streets to keep law and order," said Mr Armando Quintana, the Mexico City head of Mr Cárdenas' Party of the Democratic Revolution. "When we take office in December, this militarisation will stop."

The frustrations of a city where few crimes ever lead to formal charges are, however, likely to continue. Most observers say that the reshaping of the country's legal code and the professionalisation of its demoralised police forces will take years, if not decades.

judicial order."

His supporters say that only a big effort can stem the rising tide of crime. The city suffers an average of almost 750 crimes a day, principally robberies of cars, or car parts and muggings, in ten of the most infamous neighbourhoods the crime rate has doubled in two years, as the economic fallout from Mexico's disastrous 1994 devaluation has continued.

But opposition politicians say the operations have ignored human rights and detained people solely on the basis of suspicion, charges the general denies. "In decent countries, you do not have the army patrolling the streets to keep law and order," said Mr Armando Quintana, the Mexico City head of Mr Cárdenas' Party of the Democratic Revolution. "When we take office in December, this militarisation will stop."

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- and -
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Chris Hani's killers appeal for amnesty

By Mark Ashurst
in Johannesburg

South Africa yesterday embarked on a gruelling rite of passage from its apartheid past when the assassin of Mr Chris Hani, the former leader of the South African Communist party, appealed for amnesty.

Mr Janus Walusz, a Polish immigrant, and Mr Clive Derby-Lewis, a former Conservative

party MP, are currently serving life sentences for the murder of Mr Hani, who was shot outside his suburban Johannesburg home in April 1993. Both appeared in Pretoria yesterday to appeal to the country's Truth and Reconciliation Commission to quash their sentences on the grounds the murder was politically motivated.

The commission, which was set up as a foundation of the political settlement leading to the first all-

race election in April 1994, can grant amnesty to perpetrators of gross human rights abuses committed during the apartheid era. To qualify, applicants from both the former liberation movements and its opponents must confess all and convince the commission their crimes were "political". Although its mission is to promote reconciliation through uncovering the truth of South Africa's bloody past, yesterday's

hearing has sparked intense conflict. Senior members of the ruling African National Congress and Mr Hani's family are fiercely opposed to the amnesty appeal.

Mr Hani's death triggered riots in the black townships outside Johannesburg, and threatened to scupper the negotiations which led to majority rule a year later. Order was restored only after Mr Walusz, a fanatical anti-communist who shot Mr Hani using a

pistol stolen from the South African Defence Force, and Mr Derby-Lewis, who admitted to planning the murder, were sentenced to death. This was later commuted to life imprisonment.

However, recent investigations have suggested the assassination may have been part of a broader conspiracy which could extend to the highest ranks of the former Nationalist government and the ANC.

Mr Derby-Lewis served on the former government's National Security Council, which was chaired by the former South African president, Mr F W de Klerk.

The Truth Commission has also received documents suggesting that ANC officials were aware of a plot to kill Mr Hani, viewed as a possible successor to Mr Nelson Mandela, ANC leader, but his rivals within the party rejected his requests for protection.

Ross is upbeat on peace talks

By Avi Nachlis in Jerusalem
and Roula Khalaf in London

Israeli and Palestinian security officials were scheduled to hold a second meeting last night in the presence of US officials, as part of a mediation effort by Mr Dennis Ross, US Middle East peace envoy, to restart peace talks.

Mr Ross was optimistic on the second day of his mission, but the Israelis and Palestinians remained sceptical. Mr Nahli Abu-Irdein, spokesman for Mr Yasser Arafat, president of the Palestinian Authority, said the first meeting between Israeli and Palestinian officials on Sunday had not yielded any "political or security achievement".

Mr Danny Naveh, Israel's cabinet secretary, said the Palestinians had made "no real change" in their policy against terror groups.

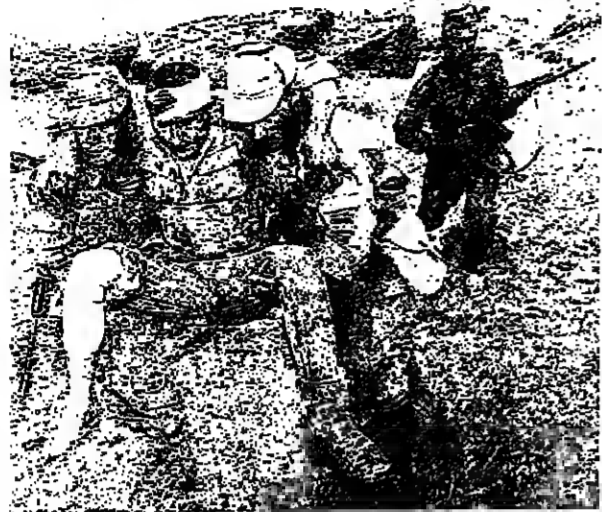
Israel is demanding that Palestinians crack down on terrorism before peace talks resume, following the double suicide bombings in Jerusalem two weeks ago.

But Palestinians want an Israeli commitment to stop settlement policies in occupied Arab territories before resuming security co-operation.

Hamas, the Palestinian Islamist group which Israel believes is behind the Jerusalem bombings, yesterday warned Mr Arafat he would risk civil war if he took steps against the movement.

Mr Arafat also came under fire yesterday from Mr Rafiq Hariri, Lebanese prime minister. In an interview with France's *Le Monde* newspaper, Mr Hariri accused Palestinians loyal to Mr Arafat of having fired from Lebanon the Katyusha rockets which landed in northern Israel last Friday, and led to Israeli raids on Lebanon.

The Israeli cabinet met yesterday but failed to reach agreement on economic policy targets and budget guidelines for 1998.



Tajik soldiers loyal to President Rakhmonov carry their wounded from the battlefield south of Dushanbe

Tajik fighting starts again

Troops loyal to Tajikistan's president Imomali Rakhmonov clashed with a

mutinous government commander near the capital Dushanbe yesterday, using artillery and rockets, writes Reuter from Lur.

Outside the village of Lur, about 12 miles south of the Tajik capital, Mr Rakhmonov's presidential guard fired shells and rockets every few minutes at forces of maverick Colonel Makhdum Khudoyberdiyev.

The fighting comes just weeks after Mr Rakhmonov signed a peace agreement with armed Islamic opposition guerrillas - who play no role in the current unrest - aimed at ending a

four-year civil war in the country.

War in the mountainous Central Asian state of 5.7m people has seen it carved up into independent fiefdoms under the control of a bewildering array of armed groups, much like those in neighbouring Afghanistan.

The commander of an elite government armoured brigade, Col Khudoyberdiyev has seized on unrest in Dushanbe to advance his own, as yet unclear, political ambitions.

On Saturday, Col Khudoyberdiyev moved his forces towards Dushanbe from his base in Kurgan Tyube, in the south of the former Soviet republic.

Education for unemployment

Jobless Moroccan graduates embarrass the government, writes Roula Khalaf

An association of unemployed Moroccan graduates recently delivered a letter to dozens of embassies in Rabat requesting "collective immigration" for its members - to any country that might find them jobs.

Immigration, said the graduates, was the last remaining chance of employment after almost starving themselves to death in hunger strikes and holding four months of sit-ins in a shabby union headquarters.

The "Group of 130", as the unemployed graduates called themselves, was preceded by the Group of 2,500, the Group of 70 and the Group of 194. There has since been the Group of 13, the group of 100 and the Group of 58.

Many with doctorate degrees - ranging from physics to chemistry to Arabic literature and Islamic studies - these Moroccan graduates believed education was the ticket to high-paying lifetime government jobs, only to discover upon graduation that the public sector could no longer afford to absorb them and the private sector looked down on them.

"They picked us to continue our studies. We were told we were special compared to all those who did not make it," says Mr Nouman Aissani, a 27-year-old with a doctorate in physics. "But the students who didn't make it have jobs today."

Finding employment for the 370,000 new entrants into the workforce every year - when only 250,000 jobs become available - is one of Morocco's greatest challenges. Urban unemployment is about 18 per cent and about 110,000 young Moroccan graduates (with at least four years of university) are jobless.

The unemployed graduates are determined to make themselves heard. Sit-ins, hunger strikes and letters to King Hassan II have forced the government to park many of them in the bloated public sector. But with public sector salaries accounting for about 38 per cent of the country's budget, Morocco's hyacinthine administration is itself in need of restructuring. So, as graduates have continued to mobilise, the government has been forced to draw the line. In spite of a favourable response from the King, the Group of 130's demand for jobs has not been met.

In an election year billed by the government as Morocco's move toward democracy, the plight of the Group of 130 has become a political issue. It is used to illustrate not the country's struggle to attain sustainable growth - when the agriculture-dominated economy remains subject to the vagaries of the weather - and the dismal failure of Morocco's education system, which has consistently churned out badly equipped graduates.

Ms Nadia Salah, editor of the weekly *L'Economiste*, says the private sector would not employ many of these graduates. "Many lack the basic writing skills in Arabic and French and this leads to wrong interpretations, and wrong analysis."

Mr Aissani counters: "They say people like me are not good enough for the private sector. But are we responsible for this situation? Why didn't they restructure higher education, to direct us, create more practical studies?"

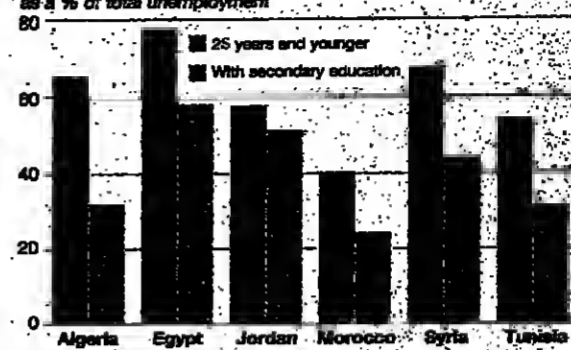
Morocco is not alone in these problems. As a World Bank study highlighted this year, the return in the form of higher earnings for longer schooling throughout the Middle East and North Africa is declining, making education a less attractive investment for individuals. In terms of economic growth, the pay-offs to education also have been disappointingly low.

Among the main reasons cited by the World Bank is that education systems have been geared towards jobs in the public sector where knowledge of facts and procedures outweighed emphasis on creativity, initiative and the practical applications of the subjects taught.

Like other countries in the region, Morocco has been a high spender on education. Yet, even an education bill of as much as a yearly 23 per cent of the budget leaves it

Middle East and North Africa

Age and education of the unemployed as a % of total unemployment



Source: World Bank

with an illiteracy rate of 57 per cent and a general conviction that students are being poorly trained.

According to a report by Maroc 2020, which promotes education reform, the focus of the education spending has been on numbers of teachers. In 1993, for instance, salaries accounted for 95 per cent of the education budget. Spending has been higher in primary school education than in secondary, student grants have not been based on economic needs, and there has been no co-ordination between the topics and skills taught and the demands of the job market.

Experts in Morocco say that much resistance to reform comes from within a corrupt administration, sections of which have been benefiting from the wasteful spending.

The political concern over education reform and graduate unemployment is all the more important because uni-

versities are often home to Islamic militancy. Islamist student unions have gained strength in Morocco's universities and have spearheaded protest against conditions. Earlier this year, many were jailed after agitating against poor public transport to universities.

The problem, according to Mr Habib al Malki, head of the state's National Center for Youth and the Future, is that reforming the system is a politically delicate question. "It is an issue that requires a consensus because it will include questions such as whether free education should be maintained," he says.

Meanwhile, to keep their struggle in the news, the graduates are writing articles in local newspapers, suggesting solutions to their problem. In one they advised the government to join with the private sector in creating a fund to finance their salaries, which they would pay back with future earnings.

NEWS: WORLD TRADE

China overtakes South Korea as largest PC market in Asia-Pacific region

Chinese switch on to computer power

By James Harding
in Shanghai

China has emerged as the largest market for personal computers in the Asia-Pacific region, overtaking South Korea in the last six months as the leading buyer according to market research published yesterday.

Nearly 1m computers were sold in China in the first half of 1997, roughly a quarter of the total 4m computers sold in the region, according to a report by

market analysts Dataquest. The Asia-Pacific PC market as a whole was up 13 per cent on last year, while Chinese sales grew by 41 per cent, the report said.

The growth of China's PC market, underpinned by a low penetration rate and vast market potential, has contrasted with the "rapid maturity of some of the region's major markets that has resulted in declining demand".

Last month, Mr James Jarrett, president of Intel in China, forecast that within a

few years China would be the US semiconductor group's third largest market after the US and Japan. China currently ranks sixth in the company's world market.

Official figures show that China's demand for personal computers has been increasing at an average annual rate of 40 per cent in recent years.

The rapid expansion of the Chinese market, however, has not guaranteed easy profits for foreign computer manufacturers, which have

struggled to maintain market share in the face of growing competition from low-cost, Chinese computer-makers.

Acer, the Taiwanese computer manufacturer, announced last month in the *Business News*, the Shanghai newspaper, that it was cutting prices by 20 per cent.

This in part reflected lower costs since starting production in mainland China and in part was an acknowledgement of the strong challenge from domestic producers.

Legend, mainland China's largest producer of personal computers, is estimated to have sold 100,000 PCs in the second quarter of this year.

Legend is expected to beat its sales target of 300,000 computers in 1997, which is already 50 per cent more than 1996. For the first time, Legend was yesterday counted as one of the Top 10 computer sellers in the Dataquest quarterly report.

According to figures published by China's state media, domestic branded

PCs expanded their domestic market share to 27 per cent in 1996 from 15 per cent the year before and are expected to take a large share of the market this year.

Across the Asia-Pacific region, Compaq has remained the leading seller of PCs for the fourth quarter, having overtaken Samsung Electronics a year ago, according to yesterday's report.

Toshiba has had strong growth and remained the leading supplier of notebook computers, Dataquest said.

Japan's carmakers cut Thai plans

Economic turmoil has led to a fall in the country's vehicle market, writes Michio Nakamoto

Japan's leading car makers are scaling back their production plans in Thailand in response to a sharp decline in the Thai vehicle market amid the country's recent economic turmoil.

The Thai crisis comes at a critical time for leading Japanese car makers such as Toyota, which holds the largest share of the Thai market at 31.2 per cent, since they have based their latest drive into Asian markets in Thailand. However, the companies believe the phenomenon is temporary.

Nissan, which in June suffered a 60 per cent drop in sales in Thailand compared with the same month last year, plans to shut down for a month a local factory where it produces pick-up trucks. It is also restricting production at another factory where it makes passenger cars to only one week in August, reducing output to one-fourth of normal levels.

Nissan said the stagnant Thai economy and the financial uncertainty following last month's devaluation of the baht, which makes it difficult for consumers to take out loans for car purchases, was behind the decision.

Toyota is reviewing its production plans in response to the market downturn.

Toyota's factory in Thailand, which makes the Soluna, designed specifically for the Asian market, is running at half normal levels. Production at another factory where Toyota manufactures pick-up trucks and a passenger car has also been cut.

Japan's big car companies are eager to expand their operations in south-east Asia, where they are already a dominant force. As the Japanese market has become saturated and markets in other industrialised countries are marked by fierce competition, the spreading motorisation of south-east Asia offers Japanese car makers a crucial, nearby market for further expansion.

Toyota's Soluna represents Toyota's answer to the needs of the booming economies of Asia, the fastest-growing markets in the world. Toyota plans eventually to expand sales of the Soluna throughout the region.

The success in Thailand of the Soluna, "the most important project for Toyota," according to a company executive, is therefore key to the company's long term ambitions in Asia.

But sales of the Soluna, which had increased steadily after its launch in January this year to a peak of 5,000 in

March, have since declined to just over 2,300 in June and are expected to fall further.

The launch of the Soluna has so far helped Toyota keep the decline in overall unit sales in Thailand to about 5 per cent, but the company acknowledges that for the year, sales in the Thai market could fall 15 per cent to under 500,000 units against 589,000 last year.

Honda, a big force in the Asian passenger car and motorcycle market, also makes its "Asia specific" car, the City, in Thailand. The City was designed specifically with regional needs in mind and once it was launched, quickly became a market leader.

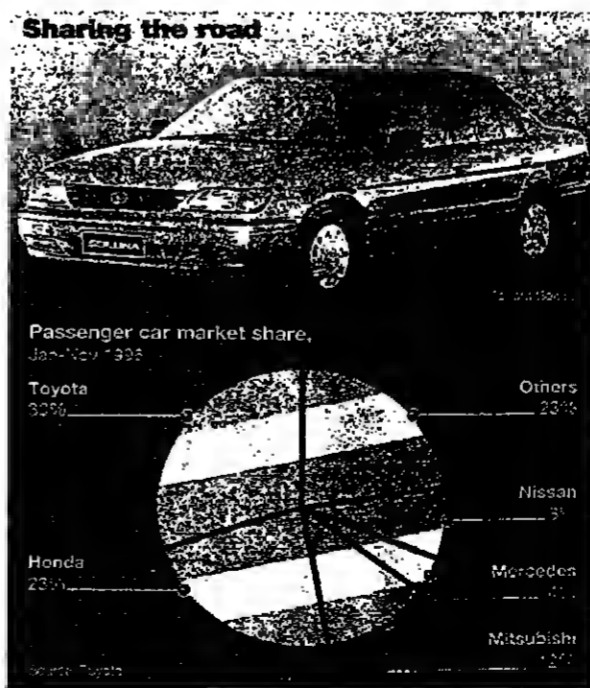
The company, like other Japanese vehicle makers in the region, has already suffered the negative effects this year of Indonesia's national car policy. Critics of the policy say it puts at a disadvantage established investors in Indonesia's motor sector.

Among other Japanese vehicle manufacturers reducing output for the Thai market, Hino Motor, a truck maker, is cutting production by more than 50 per cent this month; Mitsubishi Motors (MMC) is cutting output for that market from 70,000 last year to 50,000

The Thai economic crisis comes at a critical time for the leading Japanese car makers, since they have based their latest drive into Asian markets in Thailand itself. But the groups think that the phenomenon is temporary

units in response to stagnant demand. MMC, which recently took control of its Thai vehicle manufacturing joint venture, MMC Sittipol, will make up for the decline by increasing production of export vehicles by 20,000 units.

That is not an option for companies such as Toyota, which have operating bases



throughout the region. Toyota does not expect its subsidiaries in Indonesia, the Philippines, Australia and Taiwan, which would like to increase their own exports, to welcome the idea of an outflow of exports from Thailand. As a result, the company has had no choice but to cut back production. Japanese car makers

emphasise, however, that they expect Thailand to remain an important manufacturing base and market in the region. "In the long term, the Thai economy and vehicle market will recover gradually. We are fairly optimistic about the situation," a Toyota official said. Asian neighbours queue to help Thailand, Page 6

WORLD TRADE NEWS DIGEST

ECGD backs Baku project

The Export Credits Guarantee Department, the UK's official export credit agency, will back a \$16m loan to improve facilities at Azerbaijan's main international airport. The deal is the first that the ECGD has extended to Azerbaijan since it introduced export cover for the country in June last year, and comes amidst heightened commercial and diplomatic interest in the former Soviet Republic.

Last month Mr Heydar Aliyev, Azerbaijan's president, met US President Bill Clinton, while US oil companies signed \$10bn worth of contracts with Azerbaijan's state oil company Socar.

If Azerbaijan stays in the geopolitical limelight as a result of its oil resources and strategic position in the region, it can count on being courted further by the governments of the major superpowers, along with other governments in the region.

The ECGD-backed loan is being arranged by NatWest Markets and HSBC Investment Bank. It will go to fund installation of new systems equipment at Baku International airport by Siemens Plessey Electronics Systems, the UK air traffic management division subsidiary of Siemens of Germany.

The Baku airport was partially built by the Soviets, but construction was halted after the break-up of the USSR. The project is designed to upgrade facilities at the airport to handle the increased demand forecast for air traffic in the region.

Charles Clover, London

MOBILE TELEPHONES

Nokia predicts Indian growth

India is expected to have nearly 750,000 mobile phone users by the end of 1997, sharply up on the 250,000 users at the end of 1996, according to the Indian subsidiary of Nokia.

Mr Parikshit Bhasin, joint managing director of the Nokia subsidiary, said the market had received a boost with mobile phone services having started in India's regional telephone zones. Increased sales of handsets in large cities and a fall in the number of smuggled handsets had also aided the trend.

Mobile telephone services were first offered in India in October 1995 in Delhi, Bombay, Madras and Calcutta. Mr Bhasin said the key growth centres were still the four large cities, where cellular phones had become a business tool, and demand was steadily increasing. He added that Nokia expected similar growth in the regions in the second quarter of 1998.

Reiner, New Delhi

US-TURKISH RELATIONS

Gramm promotes free trade

Mr Phil Gramm, the US senator, who is on a visit to Turkey, promoted a project for a free-trade agreement between Turkey and the US yesterday, during his stop in Ankara. "I think it would be beneficial not only to the US and Turkey," he said after a meeting with Mr Bulent Ecevit, the Turkish deputy prime minister.

The move is part of efforts by the US to support closer relations between Turkey and the EU. Turkey has a long-standing application to join the European Union, but its economic problems and poor human rights record have stood in its way. Last month, the EU excluded Turkey from a list of prospective new members to join the 15-nation bloc.

AP-Dow Jones, Ankara

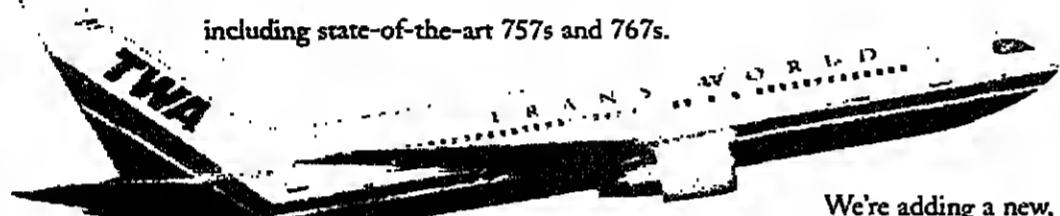
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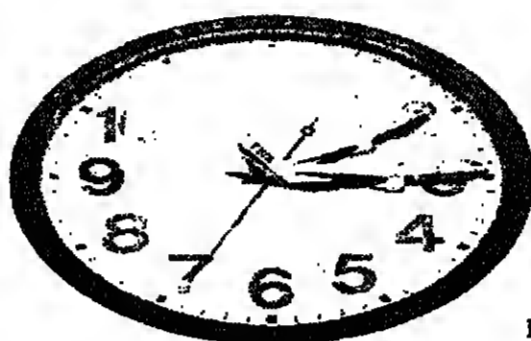
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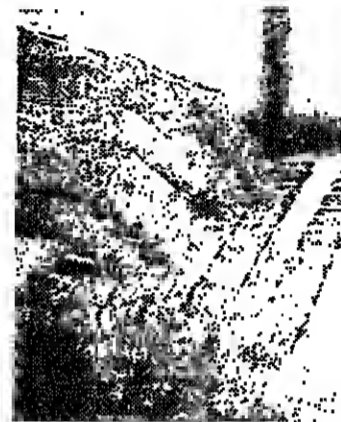
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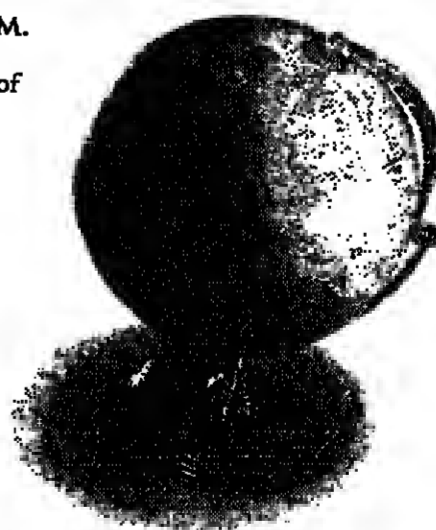
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T R A N S W O R L D A I R L I N E S

NEWS: ASIA-PACIFIC

Thai bailout: self-interest makes for co-operation

Self-interest may have been the defining sentiment behind yesterday's \$16bn package to bail out Thailand, but the initiative was nevertheless a landmark in Asia's halting progress toward co-ordinated economic management.

Though Asian central bank governors do meet regularly, financial co-operation between countries in the region has long been more theoretical than substantive. Yesterday's agreement is therefore a departure and one which - if it works - could herald a new phase of engagement.

"Participants saw the meeting as an historic crossroads in regional financial co-operation," said Mr Joseph Yam, head of the Hong Kong Monetary Authority, the territory's de facto central bank.

The aim of the funding is to cover Thailand's current account deficit and help restore confidence in the beleaguered baht, thereby removing the source of region-wide currency instability.

Although the package might never have become a reality without US support

for the leading role taken by the international Monetary Fund, the absence of any unilateral US presence in yesterday's agreement lends it a distinctive Asian flavour.

Japan, which hosted yesterday's meeting, is providing the largest unilateral

the Asean group in different ways," said Mr Eisuke Sakakibara, vice-minister for international financial affairs.

Mr Sakakibara added, however, that the countries involved "had no specific plans" to turn yesterday's agreement into a permanent

Rather than taking a leadership role, Tokyo has been keen to encourage the other Asian countries to participate together

assistance; \$400 in loans to be channelled through the government-owned Export-Import Bank. Officials in Tokyo portrayed their participation in terms of a further engagement with the nine member states of the Association of South East Asian Nations - which has been the worst hit by a contagious cycle of currency depreciations.

"This shows our firm resolve that the Asian Pacific countries will approach these issues with solidarity - we would like to deepen our co-ordination in

facility. Rather than taking a leadership role, Tokyo has been keen to encourage the other Asian countries to participate fully.

China's indication that it may contribute to the facility is also significant. Such a move would mark China's debut in pledging funds for regional financial stability, and highlight Beijing's growing influence as a co-operative force.

Economists said that, aside from the fact that Thailand is an strategic ally for Beijing, there are compelling economic reasons for

China's involvement. The first is that a restoration of stability for the Thai baht would ease pressure on the Hong Kong dollar.

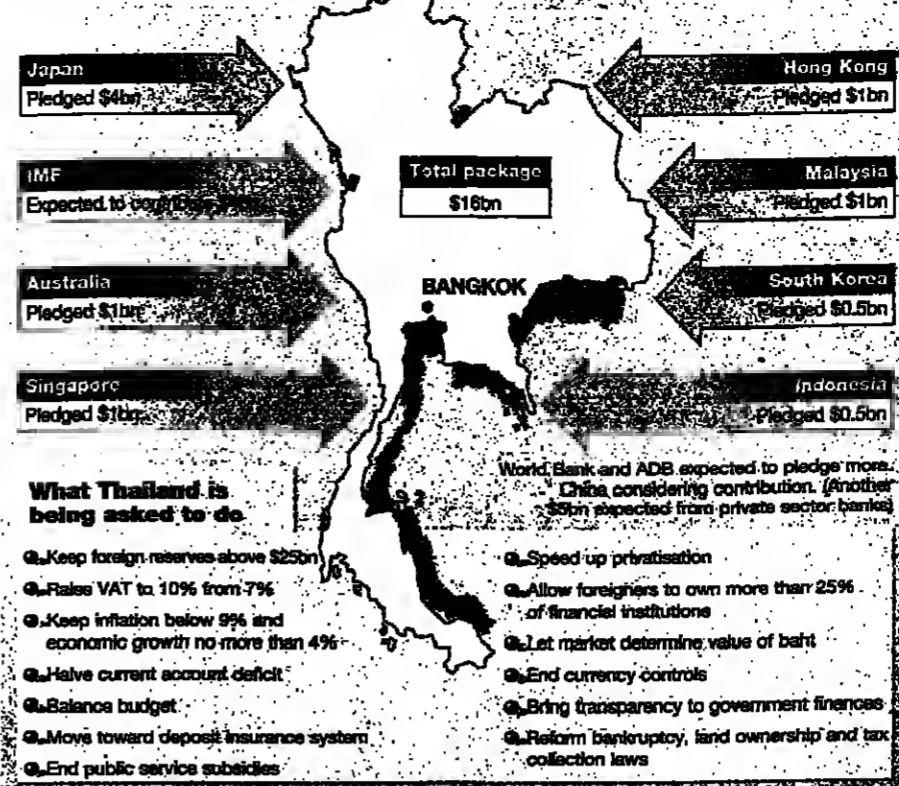
"The likely contagion effect is very real," said Mr Donald Tsang, Hong Kong's financial secretary. "It is in Hong Kong's interests as a leading financial centre in the region to see a strong and stable neighbouring environment."

Thailand is also a key investor in China, an important market for Chinese exports and the recipient of Chinese soft loans to its military. When Thailand's economy is strong, the commerce it generates helps enrich some of the more underdeveloped provinces in China's south-west.

Observers warned, however, that it remains an open question whether the bailout package is large enough to halt the slide of the baht, and therefore relieve the downward pressure on other Asian currencies.

Other concerns centre around whether Thailand will abide by conditions - many yet to be divulged to the public - laid down under the rescue package. "The

Thailand: the two sides of the bailout coin



key issue now is what the conditions attached to these credit lines are going to be," said Mr Desmond Sipple, head of Asian currency research at Barclays (BSW) in Singapore.

If the funds pledged are used, as Thai officials claim, primarily to boost foreign reserves then the baht could still slide to about 35 to the US dollar from the current

31 as the private sector buys dollars in the open market to settle its foreign borrowing binge. This slide could be avoided if private capital inflows into Thailand, buoyed by the IMF plan, are resumed on a large scale.

But economists said that if the money leaks out into the real economy then the currency could sink even lower as reserves stay low and the

monetary base increases. Already influential Thai businessmen and their political allies are lobbying for a slice of the assistance and Asian governments, like the US with Mexico, will be looking to the IMF to play a strict policing role.

Reporting by James Kyne, Gillian Tett, John Ridding, Ted Bardacke and James Harding

HK legal challenge for legislature

By John Ridding in Hong Kong

A legal challenge to Hong Kong's tough new laws on child immigration from the mainland will go before the territory's courts next month, legal officials say.

The case, which concerns one of the most pressing problems facing the new administration, is the second significant legal challenge to Hong Kong's government since the territory returned to Chinese sovereignty last month. However, lawyers challenging the constitutional basis of the immigration laws said they would reserve a challenge to the legality of the territory's legislature until the appeals stage.

The immigration laws have emerged as a potential test case for the Beijing-backed legislature, which replaced the elected chamber when Hong Kong returned to Chinese sovereignty last month. Pro-democracy forces have condemned the legislation, arguing it breaches Beijing's constitution for post-colonial Hong Kong. It has also been condemned by Britain and the US.

The legislature has already survived one substantial legal challenge. At the end of July, the Court of Final Appeal ruled that a local court had no right to determine the legality of the assembly since it had been established by a decision of the National People's Congress, the Chinese parliament.

Next month's court case will examine complaints that a law approved by the legislature last month breaches an article of the Basic Law which grants residency rights to mainland children of Hong Kong parents. The new law allows the authorities to deport these children if they arrived illegally. It also requires mainland children immigrants to obtain a certificate of entitlement from Hong Kong authorities to prove their right of abode in the territory.

With an estimated 66,000 mainland children with a parent resident in Hong Kong, the government feared a huge influx following the transfer of sovereignty. It warned of strains on resources in housing and education should all the children seek to enter the territory.

Since the new law is retroactive to the beginning of July, an estimated 2,000 children face expulsion. Several hundred surrendered to the authorities in early July in the hope of legalising their status.

Yamaichi fires top executives

By Gillian Tett in Tokyo

Yamaichi, Japan's fourth largest securities house, yesterday dismissed 11 senior executives, including the president, chairman and five vice-presidents, as punishment for the company's alleged links with corporate racketeers. All were immediately retained as advisers.

The sweeping reshuffle pushed Yamaichi's share price sharply higher after a steady fall in the exchange for not revealing sensitive information about them.

The upward share price

movement partly reflected investor pleasure at the reshuffle, and also increasing market speculation that Yamaichi could emerge as a takeover target if the scandal widens.

In July Tokyo prosecutors raided Yamaichi's offices after alleging that in 1995 the company channelled ¥79m (\$97,000) of illicit payments to *sokaiya* - corporate racketeers who demand payment from Japanese companies in exchange for not revealing sensitive information about them.

Yamaichi has not publicly admitted to the payments, and Mr Atsuo Miki and Mr Tsugio Yukihiro, respectively president and chair-

man until their resignations yesterday, both denied personal involvement.

Finance company takeovers are rare in Japan but Yamaichi, the weakest of the leading brokers, could be forced into the arms of a Japanese or even foreign partner, analysts say. Mr Robert Garone, of Dresner Kleinwort Benson in Tokyo said: "There is speculation now about a takeover."

Yamaichi is the latest casualty of a scandal that first emerged in the spring when Nomura Securities, Japan's largest broker, admitted to links with *sokaiya*. Since then Dai-ichi Kangyo Bank, one of the country's largest, has also

admitted to links with *sokaiya*. Sixteen executives at Nomura subsequently resigned while 21 at DKB stepped down. Two weeks ago the government announced stiff punishments for both companies.

Yesterday's resignations at Yamaichi reduce the size of its board from 40 to about 30.

Mr Shobei Nozawa, and Mr Shoji Saitome, respectively Yamaichi's new president and chairman, pledged to introduce more transparency into the organisation and win greater investor support. The company reported a ¥5.4bn loss in the first quarter of this fiscal year (April-June 1997).

Hopes fade of meeting foreign investor targets

Mystery group quits Vietnam investment

Jeremy Grant in Hanoi and John Ridding in Hong Kong

Vietnam has been left with a gaping hole in its foreign investment figures after a mystery company suspended its involvement in a \$1bn property scheme planned for the commercial hub of Ho Chi Minh City.

The project was to have been the biggest foreign project in the city since Vietnam opened up to foreign investment a decade ago. It was also one of two projects that Hanoi squeezed through the approvals process two days before the end of 1996 in a bid to meet its target for inward foreign investment.

But Hanoi's haste backfired. According to the Hong Kong Companies Registry, the company, City Horse Trading, did not exist when its plans were approved. It was wound up three months before its Ho Chi Minh City scheme was given the nod by Vietnam. It was not clear whether Hanoi was aware that City Horse Trading had been wound up by the time it licensed its project.

Records show City Horse Trading, a company with ethnic Chinese investors, was incorporated in Hong Kong in 1986 with a nominal paid-up capital of HK\$10,000 (US\$1,300), most held by a company called Wellink Development.

Observers said that in its concern to approve the project, Hanoi failed to make sufficient checks on a company whose origins are obscure. "Vietnam was wishful at the end of last year and wanted to get some big figures in. They weren't as diligent as they could have been," said one foreign lawyer in Ho Chi Minh City.

A Vietnamese official at Viet Cuong Co, which claims to front for City Horse Trading in Ho Chi Minh City, confirmed yesterday that the foreign side was having trouble raising money for the project. The local partner is a unit of the city's construction department.

Under the licence, City Horse Trading would have pumped \$300m to develop 450 luxury villas in a district of the former Saigon popular

with expatriates, an unusually high amount in a sector where investors are struggling with oversupply and acute financing difficulties. "Some of them [City Horse Trading and its partners] were not patient enough to wait so they withdrew," the official said. He added that City Horse Trading had "moved" to the British Virgin Islands, an offshore tax haven.

An official in the investment department of the Ho Chi Minh City people's committee (municipal council) declined to comment.

Mr Walter Rubin, a Canadian listed as one of three former directors of City Horse, was not available for comment.

The case highlights the fragile nature of ethnic Chinese capital inflows into Vietnam and Hanoi's inability to track such flows. Viet Cuong is run by ethnic Chinese speaking fluent Cantonese, in common with many Ho Chi Minh City-based small businesses with links to ethnic Chinese business circles in south-east Asia.

Sri Lanka's president may be forced to call snap election

Sri Lanka's recent landmark sale of a share of its telecoms utility is welcome news for President Chandrika Kumaratunga's government. Less welcome is a growing realisation that continuing political uncertainty may force her to announce snap elections within months.

The transfer of 35 per cent equity in Sri Lanka Telecom to Japan's NTT for \$225m last week is the country's largest privatisation.

The good news was further

stitution aimed at ending the 13-year war against the Liberation Tigers of Tamil Eelam (LTTE), which is costing the exchequer 3-6 per cent of gross domestic product.

The proposed peace plan which seeks to turn the country into a federal state in all but name in exchange for ethnic peace needs a two-thirds majority which Mrs Kumaratunga's People's Alliance does not enjoy. It is by no means certain she would gain the required majority in an election.

Ruling party legislators said they had been told by the party leadership last

month the political reform plan must be presented in parliament before the budget in November.

"The government is clearly thinking about going for a referendum on the political package," a senior minister said. Analysts argue the government could seek fresh parliamentary polls or at least advance the local council elections, due by May, to test public opinion.

The government hopes to use the devolution proposals to marginalise politically the LTTE, the guerrilla group fighting government forces in the island's north-east.

Mr G L Peiris, justice minister, said the LTTE assassinated two legislators last month to cripple these political efforts and prevent the reforms being implemented. "There are indications the LTTE is apprehensive about implementation of the political package," Mr Peiris said. "Anyone who opposes the package is only helping the Tigers."

The government's slender one-seat majority in the 225-member assembly has been an enduring factor inhibiting medium to long-term investment, despite generous tax concessions. The separatist war, which has claimed over 60,000 lives in the past 25 years, was a key factor discouraging foreign investments and affecting tourism revenues, diplomats say.

Analysts see the minor recovery in the economy this year after two years' weakness as due partly to increased domestic consumption; but there are fears inflationary pressures could become greater.

With the NTT deal, the government retired SLRs10bn (\$168.7m), or about 7.1 per cent of the SLRs140bn public debt, treasury officials said.

The government sell-off came as the international Monetary Fund urged Sri Lanka to curb its budget deficit and stressed the need for reforms in the civil service and pensions to control costs and keep inflation to a single digit.

Prices rose 15.9 per cent in 1996 against an inflation rate of 7.7 per cent in 1995; bankers say the cost-of-living index will go up by at least

The National Development Bank of Sri Lanka's offer of SLRs4.3bn (\$73m) worth of shares to foreign investors was twice oversubscribed, writes Lihua al Attia in London.

The sale was the first international share offering since the launch of the country's privatisation programme in 1989. The NDB, one of two development banks providing long-term credit for growth projects in Sri Lanka, was set up in 1979 and is owned by the government. In 1993 61 per cent of the bank was sold and with the latest share issue the government cut its holdings to 12 per cent.

Mr Ranjit Fernando, director and general manager of the bank, said the government would hold on to its remaining stake for 18 months.

The sale of the NDB shares at SLRs260 - a SLRs30 discount to the market price - attracted 54 international investors, 35 per cent from Asia, 33 per cent from the US and 28 per cent from the UK.

Mr Anura Wickremasinghe, managing director of Jardine Fleming in Sri Lanka, one of the joint lead managers for the issue, said the country's risk, associated with its civil war, was not a question for investors. "They were looking at the opportunities," he said.

12 per cent this year.

Last year, the government's privatisation receipts fell far short of the projected \$400m, raising less than \$100m. The sale of the national carrier, Air Lanka, which is the next biggest state divestiture, is being delayed by more than a year.

"The NTT deal is about the best news the government has had in three years," said Arjuna Mahendran, senior analyst at Socgen-Crosby. "Using the money to retire debt is a step in the right direction."

However, medium to long-term prospects depended on political factors as well as the outcome of the government's military campaign against the Tamil Tigers.

Amal Jayasinghe

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The United Mexican States Floating Rate Notes Due 2000

The applicable rate of interest for the period August 12, 1997, through and including February 11, 1998, to be paid on February 12, 1998, a period of 184 days, is 6.625%.

The above rate equates to an interest payment of U.S. \$ 34,620,833 per USD 1,000.00 in principal amount of Notes.

BANCO NACIONAL DE MEXICO, S.A.
NEW YORK AGENCY

August 8, 1997

مكتبة جامعة القاهرة

Acceleration in rise in manufactured goods prices put down to increased excise duties

Inflationary pressures remain subdued

By Richard Adams
and Steve Thompson
in London

Inflationary pressures in the UK remain subdued, output and retail sales data for July suggest. Though the figures, published yesterday, show an acceleration in the rise in prices of manufactured goods, this is attributed solely to excise duty increases in last month's Budget.

According to the Office for National Statistics figures, core manufacturing output prices - excluding tobacco, food, petrol and drink - were unchanged in July on

a seasonally adjusted basis compared with the previous month. The view that there are few inflationary pressures in the pipeline was also confirmed by a further fall in manufacturers' input prices, down 0.3 per cent during the month, with raw material costs, excluding oil, falling 0.5 per cent in sterling terms.

The British Retail Consortium's survey for sales during July showed a further increase in activity. Retailers reported sales up 5.2 per cent in value compared with July last year after reporting an increase of 4.5 per cent in June.

However the retail sales growth does not yet appear to be fuelling inflationary pressures. The strong growth of retail sales will concern the Bank of England. Today, the Office for National Statistics publishes the retail price index for July, and tomorrow the Bank publishes its inflation report.

The BRC's survey also warned the strength of the pound was reducing the spending power of tourists, causing stores to suffer.

The ONS said yesterday that manufacturers' output prices had risen by 1.4 per cent in the 12 months to July - higher than

expected and well above June's 1.1 per cent increase. But the ONS estimated that the Budget's 3.5 per cent increase in petrol duties added 0.4 per cent to manufacturing prices. Competitive pressures prevented the full increase being passed on by manufacturers and held the actual acceleration in the rate of increase to 0.3 points.

The producer price data buoyed up share prices after an early sharp fall in the FTSE 100 index. It was down 64 points in early trading, prompted by last Friday's fall in the Dow Jones Industrial Average, but also by worries that UK

stocks have been overbought. But it ended the day marginally higher, up 0.6 at 5,031.9. Dealers cited the encouraging producer price data and a relatively steady opening by Wall Street as stabilising factors. Second-line stocks also rose, amid continuing talk that big investment institutions were shifting funds from the market's leaders towards the underperforming FTSE 250 and SmallCap stocks. The FTSE 250 index rose 21.1 to 4,671.6 and the SmallCap 8.9 to 2,218.7.

Lex, Page 18

Plan to waive student fees angers critics

By Simon Targett
in London

The government faced criticism yesterday over plans to limit the offer of waiving tuition fees for students who undertake voluntary work in their year off between school and university.

Ministers are this week expected to announce plans to grant exemption from the annual £1,000 (£1,630) in fees - due to be charged from 1998 - to students working for a recognised voluntary organisation during their year off.

The fee waiver was prompted by complaints from the Universities and Colleges Admissions Service that thousands of students promised free places next year would instead have to pick up the £2,000 bill for a full undergraduate course.

But UCAS has joined opposition parties, university admissions staff, teachers' unions and students in challenging the government to offer fee concessions to all students offered a deferred entry place for 1998.

Under the proposals, only about 2,000 of the 19,000 students offered places for next year will gain exemptions.

The Treasury is understood to have insisted on a limit on the exemptions, warning that giving concessions to too many students would undermine the point of charging fees.

It means that even those doing charitable work with organisations other than those recognised by the Department of Education and Employment will not have their fees waived, officials admitted. Officials said Mr David Blunkett, the education secretary, "was

keen that students carrying out community work benefiting society should not be disadvantaged". Mr Tony Higgins, chief executive of UCAS, said: "That seems to imply that all others taking a year off are just humming around. But what about the civil engineering student who decides to spend six months working on a building site, or the medical student who decides to work as a hospital porter? Why should they be penalised?"

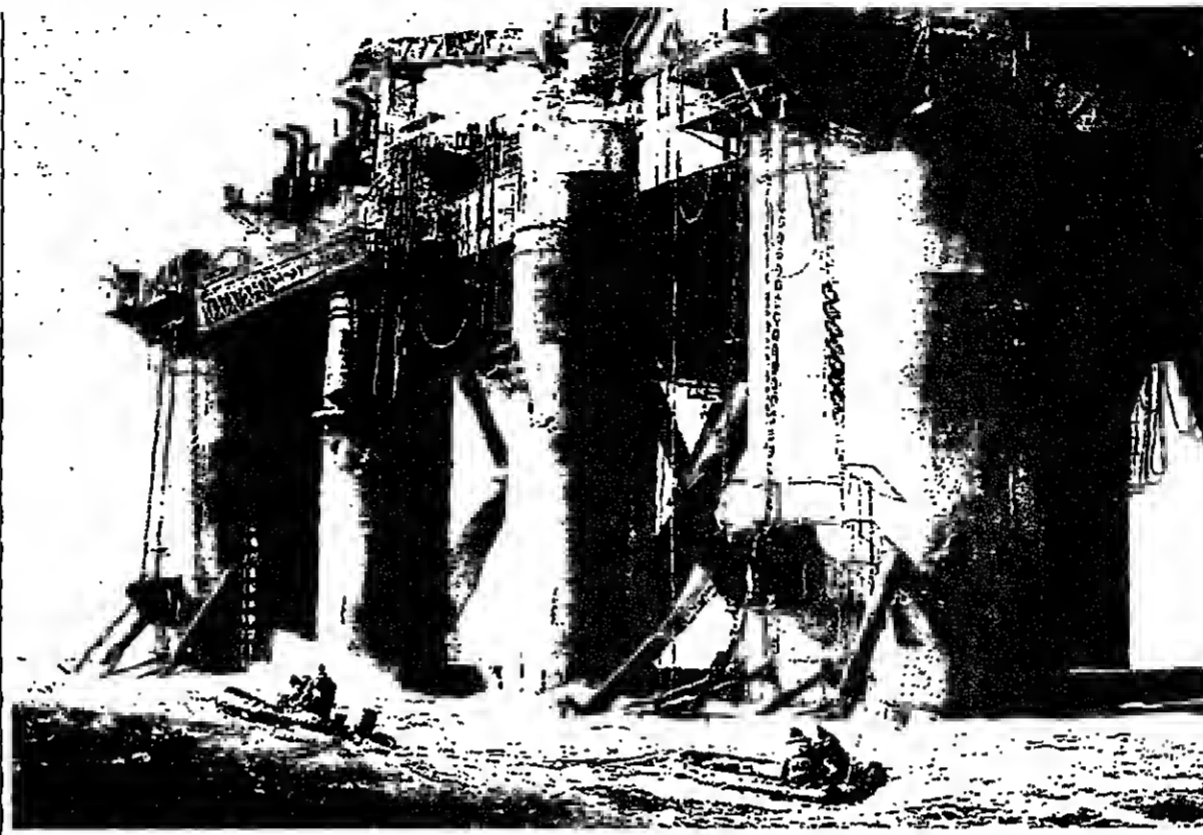
Mr David Hart, general secretary of the National Association of Head Teachers, said it was "manifestly wrong" to limit the exemption to those planning charity work in their gap year.

Mr Phil Willis, the Liberal Democrat higher education spokesman, said: "This is a small concession which will do nothing for the majority of the tens of thousands of students caught up in the scramble for places."

Unless the government backs down, about 17,000 students promised free places next year will have to find the fees.

According to UCAS, a further 70,000 students planning to take a year off are reconsidering ahead of Thursday's publication of A-level examination results - which largely determine entry to university. UCAS said there had already been a 42 per cent increase in last year in applications to its clearing admissions system, in which students make last-minute applications.

It expects the number of students retaking A-levels to fall sharply as students choose to secure a free place at any university rather than a fee-paying place at a preferred institution.



Greenpeace activists from the ships MV Greenpeace and MV Rainbow-C just before they boarded the drilling platform

BP warns protest may cause losses

By Michael Peel
in London

BP yesterday said that the Greenpeace occupation of a mobile oil rig chartered to work on the company's Foinaven field might lead to future production revenue losses.

With activists chained to the rig's legs for the third day running, Greenpeace divers again stopped the platform moving towards the field.

The protest is part of a summer-long disruption by Greenpeace of oil exploration and production west of Shetland. The pressure group has also launched a legal challenge to a government decision in April to issue 14 oil companies with exploration licences for the Atlantic frontier.

BP said it had no immediate plans to try to evict the

two protesters aboard the Stena Dee but said it was worried that poor weather expected soon might put the lives of the activists and the 81-strong crew at risk.

BP said it did not expect the action to affect its plan to start production later this year.

"It's having no impact on the first oil date for Foinaven at this stage," it said. "But if it was to drag on indefinitely it would affect us further on."

The effect on production would depend on the work the rig was to carry out. BP said it planned to use the rig for construction and modification work and that it had drilled all its wells at the field. Production was a year behind schedule because the company had to replace some well-head valves.

Ms Deborah Russell, an oil and gas analyst at Wood

Mackenzie, said BP's eventual losses could be much greater than the estimated \$100,000 (£61,350) a day hire charge for the Stena Dee. "That's going to be small in comparison to the delay to the flow in terms of the amount of money they have

spent and the delay in revenue," she said. The financial damage would depend on how important the equipment aboard the Stena Dee was to the development of the field.

Editorial comment, Page 17

UK NEWS DIGEST

Ford car sales hit by imports

Ford, the leading vehicle manufacturer, suffered a precipitous fall in its share of new car sales last month as big importers captured a record 70 per cent of registrations.

Ford's share declined to just under 12 per cent of the market as popular models such as the Fiesta and Escort were eclipsed by competitors. The Escort, Ford's most popular car last month, took only fifth place in the list of best sellers, while the Mondeo came in eighth.

The poor showing by Ford compared with a 14.6 per cent share in July 1996 and accelerated the steady erosion in the company's market share in recent years. Ford's share of new car sales fell to just over 18 per cent in the first seven months of this year, compared with 20.6 per cent in the same period last year.

Most mainland European manufacturers gained at Ford's expense. Volkswagen raised its share of new car sales to 9.4 per cent, compared with 9 per cent the previous year. Among Asian brands, Malaysia's Proton increased sales almost sixfold to 977 units last month, giving it 2.7 per cent of the market. *Haig Simonian, London*

ROAD TRANSPORT

Bridges 'too weak' for EU trucks

Businesses could face long delays and diversions in moving goods from January 1999 because the government has failed to strengthen hundreds of bridges to carry 40-tonne trucks, it emerged yesterday.

Ministers have accepted that some bridges will be subject to weight restrictions, reduced to single-file use or closed altogether when the new European Union standard juggernauts are introduced. The revelation came in a government response to a damning House of Commons transport select committee report, which warned that the delayed bridge programme could cause serious hardship to many companies. *George Parker, London*

TAX SOFTWARE

Company will pay out over errors

Intuit, one of the world's leading personal tax software publishers, said yesterday it was urgently contacting 50,000 UK customers who may have got their tax forms wrong because of errors in one of its products.

The company said it would pay any penalties imposed by the Inland Revenue in cases where taxpayers had underpaid their bills as a result of software errors and would consider refunding lost interest in cases of overpayment. Customers would also receive a new version of the product. Intuit said the number of customers facing penalties would be "very low". *Jim Kelly, London*

BUILDING MATERIALS

Strong pound weakens exports

Building materials producers saw a substantial drop in overseas sales in the first quarter of the year, mainly because of the strong pound, the environment department said yesterday. The value of building materials exports fell by 9.5 per cent in the first three months of this year to £288m (£1.44bn) compared with £361m in the final quarter of 1996. It was the first time for 12 months that quarterly exports fell below £300m. *Andrew Taylor, London*

CONTRACTS & TENDERS

GOVERNMENT OF PAKISTAN PRIVATISATION COMMISSION

PAK ARAB FERTILIZERS LIMITED (PAFL)

INVITATION FOR SUBMISSION OF "EXPRESSION OF INTEREST"



Ahmad Waqar,
Joint Secretary
Privatisation Commission
Government of Pakistan
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Islamabad, Pakistan
Tel # (92-51) 9205146-7, 9215466,
Fax # (92-51) 9203076, 9211692

The Government of Pakistan invites Expression of Interest from prospective investors for pre-qualification to participate in the privatisation process of **Pak Arab Fertilizers Limited**. The opportunity offers an instant access to Pakistan's fertilizer industry through a well diversified product mix of one of the largest and most profitable industrial units in the country. Located near Multan, PAFL is ideally situated to sell its products throughout the country. The plant is engaged in the manufacture of Calcium Ammonium Nitrate (CAN), Nitro Phosphate (NP) and Urea. The fertilizer industry is a mature industry in Pakistan which has shown excellent performance over the years and has always outperformed the market index for quoted companies.

PAFL has a paid up capital of Rs. 743.061 million, total asset size of Rs. 2.135 billion and an annual pretax profit of Rs. 645.548 million as per audited results of June 30, 1996. In addition, PAFL has tremendous goodwill being a market leader.

Expression of Interest for pre-qualification to participate in the privatisation process of **PAFL**, along with investor profile in terms of ownership, network, business track record (audited accounts, staff strength, etc.), management's capabilities for operating similar industrial operations and a non refundable processing fee of **Rs. 150,000/- (Rupees One Hundred and Fifty Thousand)** or **US \$ equivalent** in the form of a bank draft (encashable in Islamabad) in favour of the "Privatisation Commission, Government of Pakistan" should reach the office of the undersigned in a sealed envelope clearly marked "Expression of Interest for PAFL" latest by **1500 hours, August 25, 1997**.

Secret site fights to be famous

Trustees aim to transform home of second world war code-breakers into compelling museum

Bletchley Park, the site to the north of London where mathematicians cracked secret German codes during the second world war, has a new battle on its hands.

It has long been recognised that the top-secret efforts of the 12,000 men and women working at Bletchley were decisive in winning the war.

Now a handful of trustees are fighting to transform the 23ha site from Britain's best-kept secret into its best-known one.

A museum at the site, near the town of Milton Keynes, is not on the typical tourist trail, and in an attempt to put it on the map the trustees want to raise several million pounds to buy the land - jointly owned by British Telecom, the government - and upgrade the museum's facilities.

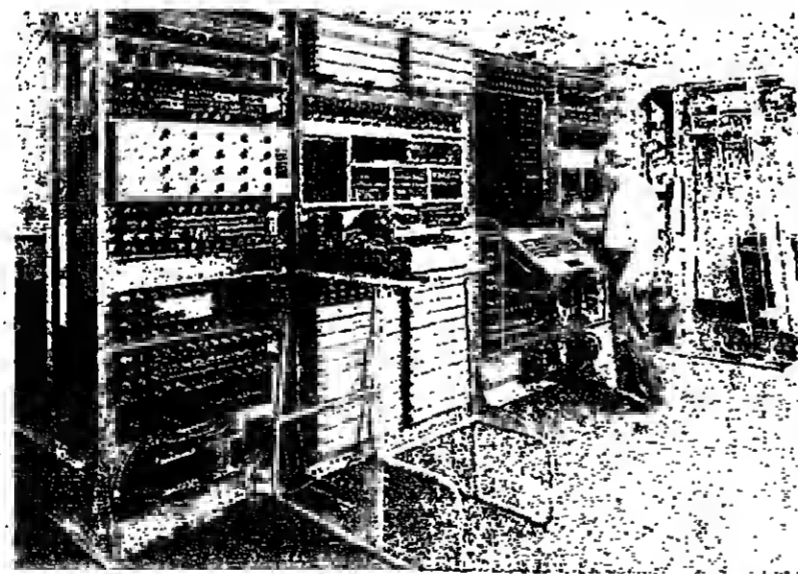
Buying the site, together with a five-year plan to expand the museum, could cost between £20m and £30m (£32.6m-£48.9m) which the trustees hope they can raise through a public appeal and corporate sponsorship.

The museum, open on alternate weekends, makes a valiant attempt to explain how the world's first computer came to be built and why code-breaking shortened the war by two years, saving hundreds of thousands of lives.

However, it is all done in the tradition of the English amateur - a heritage held together with sealing wax and string instead of money.

The wartime photos that line the walls are fading, the explanatory video of how the allies deciphered the codes is home-made and wobbly, and damp patches darken the polystyrene ceiling tiles.

But the exhibits are compelling: the display includes Colossus, a re-creation of the world's first electronic valve computer. Invented in 1943, it cracked the most prized code of all - the Lorenz code, used by Hitler and his generals.



Bletchley Park trustee Tony Sale with his recreation of the Colossus computer

Thanks to Colossus, the allies were able to confirm that the Nazis were expecting a D-Day landing in the Calais district of north-eastern France rather than in Normandy to the west, where the landings by Allied forces actually occurred.

The concepts behind Colossus were so far in advance of their time (it had the power to unscramble combinations of 10¹⁸) that its code-breaking algorithms were still being used operationally until five years ago.

Its resurrection was the work of Mr Tony Sale, electronic engineer and former MI5 operative, who is one of the trustees.

In spite of its great historical significance, Bletchley Park narrowly escaped being razed to the ground five years ago so that the land could be redeveloped.

Now that the past has been secured, however, Bletchley's trustees want to stake a claim on the future. With a tiny income (some £30,000 a year from about 15,000 visitors), there is little money with which to pay staff and upgrade the museum.

Appeals for lottery and national heritage money were turned down and talks to buy the site have been deadlocked for years.

But change is in the wind. A new lottery claim has been put in. The park has a new chairman, Sir Philip Duncombe. A planning group has been set up to revive negotiations with BT, headed by Mr Howard Mallinson, a partner in KPMG, the accountancy firm, who is confident that he can soon reach a deal with BT.

Bletchley hopes to convince BT that some of the estate has a negative value because of the large conservation costs involved.

Looking ahead, Mr Sale and his colleagues want to establish a "centre of excellence" in computing and cryptography, attracting budding mathematicians from around the world to Bletchley.

"The fact is we owe our freedom to the sort of people who run Bletchley. If they hadn't cracked the naval codes in the Atlantic, you and I would not be having this conversation now," says Mr Mallinson.

Charis Gresser

Pakistan

As the jubilee approaches, the government must tackle the economic and political problems left by five difficult decades, say Mark Nicholson and Farhan Bokhari

Courage needed to face the flaws

Pakistanis will feel some ambivalence as they celebrate the golden jubilee of their country's creation this week. The moment offers occasion to reflect on five decades of economic performance surpassing initial expectations. But an average of 6 per cent growth over 50 years, though surpassing that of its south Asian peers, has also failed to improve a human development record now worse than its neighbours.

Many Pakistanis will blame what has proved a deeply flawed political system: a constitutional democracy which has nevertheless spent half its existence under military rule and which, when under civil administration, has failed to dilute the power of a feudal ruling class.

Yet many still believe Pakistan can turn the corner. Voters this year returned a government with a majority big enough to survive a five-year term, which would be a first since the end of General Zia-ul-Haq's military rule in 1988. What Mr Nawaz Sharif, the Muslim League prime minister, must now prove, is that he has the vision, courage and authority to make essential changes which were balked at in the past.

In his first six months, Mr Sharif has moved on two fronts: to shore up his own political position, and to begin to initiate the reforms and secure the international buttressing necessary to rescue a floundering economy. He acted swiftly after the

Muslim League's February landslide victory over Ms Benazir Bhutto's discredited Pakistan People's Party to end the presidential prerogative which allowed the sack of elected prime ministers (usually following a nod from the country's politically powerful military). Mr Sharif wielded his own two-thirds parliamentary majority to accomplish this.

But the prime minister's most important challenge, by his own admission, is reforming an economy which in the 18 months prior to June had slumped to a modern nadir. By the time Ms Bhutto's government was ousted late last year by presidential edict and replaced by a three-month interim administration, it had bequeathed foreign exchange reserves well below \$1bn, a fiscal deficit of 8 per cent of GDP and rising, and an over-taxed and contracting industrial sector. Foreign direct investment also plunged, from \$1.1bn in 1995-96 to just \$548m in 1996-97.

To this was added a reputation for corruption which led Transparency International, the German research group, to list it the second most corrupt nation in the world, after Nigeria.

Mr Sharif, however, expresses a determination to reverse these dire trends. "People know this government is moving in the right direction so this itself is giving a lot of confidence to the people, especially to the investors," he says. The Karachi stock exchange (KSE) index, at least, con-

firms this having surged beyond 2,000 points in recent weeks, fed by reviving foreign portfolio investment.

The KSE remains, however, a fragile and erratic barometer. Of considerably more importance will be both the government's progress in meeting ambitious targets set in its June budget and, in turn, the broader and perhaps more exacting conditions reached last month of a \$1.6bn, three-year IMF programme. That Mr Sharif's government has concluded this agreement with the IMF is early progress, after last year's disastrous fall out between the IMF and Ms Bhutto's government.

Mr Sharif and Mr Sartaj Aziz, the finance minister, have continued to apply a supply-sided attempt to reinvigorate Pakistan's economy, this time hoping the effort will not lead to the fiscal imbalances caused by similar policies in 1990.

Since May, Mr Sharif has ordered wide-ranging economic reforms, including some of the country's sharpest ever cuts in tax rates - taking corporate taxes to just over 30 per cent and income tax top rates down to a Singaporean-style 20 per cent. The moves, strikingly similar to those made in neighbouring India this year, are designed to raise currently dismal levels of tax compliance, and thus government revenues, by offering temptingly low rates. They involve risk, as Mr Sharif acknowledges, given that there is "no tax paying culture in the coun-



Area: 796,095 sq km (inc. Jammu & Kashmir)
Official languages: Urdu, English
Others: Punjabi, Balochi, Pashtu
Population: 129.6 million (1995 official one-year estimate)
Currency: 1 Pakistani rupee (Rs) = 100 paise
Exchange rate: 1996 average 15 = Rs 36.0456
August 1 1997 15 = Rs 40.4795

Form of state: Federated parliamentary system
The executive: The president, currently Farooq Leghari, is head of state, and is elected for a period of five years by a joint sitting of the federal legislature
National legislature: Bicameral legislature; lower house, the National Assembly, has 217 directly elected members who serve for five years, of whom ten represent minorities; upper house, the Senate, has 87 members elected for six years with one-third retiring every two years; each of the four provinces elects 19 senators, the remaining 11 are elected from the Federal Capital Territory and the tribal areas
Provincial government: Pakistan has four provinces, which enjoy considerable autonomy; each province has a governor and a Council of Ministers headed by a chief minister elected by a provincial assembly

Sources: Eurasia; EU; Deftalmen; IMF, Reuters

| Economic summary | | 1996 | 1997 |
|---|------|----------|----------|
| | | Estimate | Forecast |
| Total GDP, nominal (\$m) | | 64,152 | 65,415 |
| Total GDP, nominal (local currency, Rs bn) | | 2,586.8 | 2,648.0 |
| Real GDP growth annual % change | | 4.8 | 3.1 |
| GDP per head (\$) | | 481 | 478 |
| Inflation, average annual % change in CPI | | 10.4 | 11.5 |
| Manufacturing production annual % change | | 4.8 | 6.2 |
| Agricultural production annual % change | | 5.27 | 5.34 |
| Unemployment rate (%) | | 5.3 | 6.3 |
| Money supply, M2 (annual % change) | | 20.1 | 17.4 |
| Reserves excluding gold (\$m) | | 535 | n/a |
| Government expenditure (% of GDP) | | 52.8 | 57.6 |
| Total foreign debt (% of GDP) | | 4.585 | 5.196 |
| Current account balance (\$m) | | 6.3 | 6.2 |
| Budget deficit (annual % of GDP) | | 3.100 | 3.370 |
| Trade deficit (\$m) | | | |
| Main trading partners (share of total trade to world, 1995) | | | |
| US | 9.3% | | |
| Hong Kong | 7.5% | | |
| Germany | 6.9% | | |
| Japan | 6.8% | | |
| UK | 6.5% | | |
| Exports | | | |
| Imports | | | |

National elections: February 3, 1997 (National Assembly), and elections due November 13, 1993 (provisional), February 2002 (National Assembly)
National government: After the election on October 6 1995, the PPP, backed by a coalition of small parties and independents, formed the national government with Benazir Bhutto as prime minister. Her government was dismissed by Mr Leghari on November 5. A new government was appointed in February 1997 and Nawaz Sharif of the PML (N) was elected prime minister
Main political organisations: Pakistan People's Party (PPP); Pakistan Muslim League (Nawaz) (PML-N); Jamiat-ul-Islami (JI); Muttahida Qaumi Movement (MQM); Awami National Party (ANP); Jamiat-e-Ulema-e-Islam (JUI); Tehrik-i-Insaf (Movement for Justice)

In this Survey



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try, and we have to evolve that culture."

The task is made all the more formidable by an enduring political structure of feudalism. In spite of his parliamentary majority and his strengthening of the prime ministerial position, Pakistan's political culture is still dominated by its big rural landowners, many of whom vigorously oppose reforms such as taxing agriculture. Mr Sharif has moved to introduce such taxes but it remains too early to tell whether he will succeed.

Much hinges on the government's ability to improve tax administration. "They can double their revenues even with a 20 per cent rate," says Mr Mahbub ul-Haq, a former finance minister, "but they have to back it

up by punishing people who do not comply."

Much the same can be said about enforcing the repayment of millions of dollars worth of bad loans on the books of the country's ailing state-run banks - which Mr Sharif is simultaneously proposing to reform, restructure and, in some cases, privatise. But such moves, too, will require political courage. During the past decade, stories of corrupt businessmen who have enriched themselves through defaulting on bank loans have been told. Many of them are known to have been patronised by ruling politicians.

Mr Sharif's unenviable political task runs wider than challenging the entrenched privileges of his own political class. Recently, sectarian religious violence

between Sunni and Shia groups has exploded in his home state of Punjab, in the commercial capital of Karachi, where the ethnic violence of two years ago was

quelled brutally by Ms Bhutto's government, killings are again on the rise as factions of the Muttahida Qaumi Movement (MQM) fight both among themselves and, they allege, against Pakistan's many intelligence "agencies". Mr Sharif has promised unspecified action to address law and order problems, but these issues could detract from an already difficult political and economic agenda.

On the foreign policy front, however, there are grounds for cautious optimism. For the first time in three years, Pakistan and India have agreed to talks

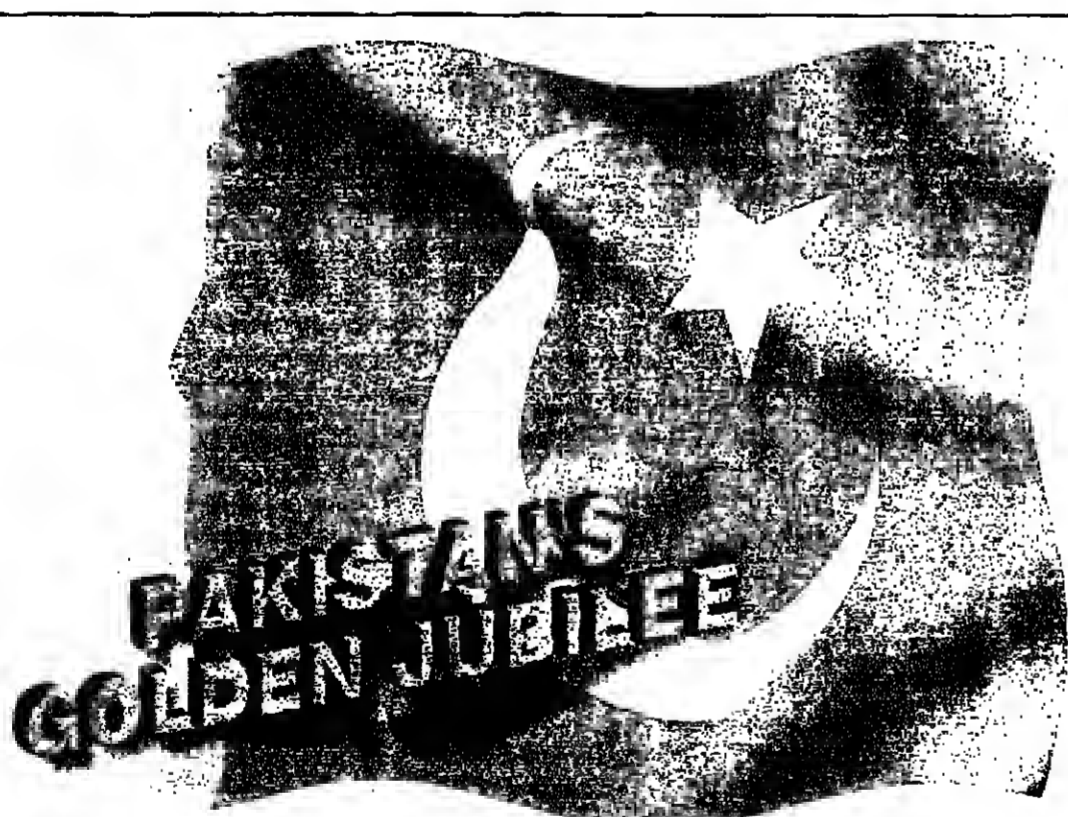
and, for the first time since 1971, to discuss the whole raft of bilateral issues.

For Pakistan the compulsion is in part budgetary. Almost a quarter of this year's budget will go towards maintaining a large defence force which Pakistan says is necessary to defend itself. There are hints that even the military elite in Rawalpindi realises that the country cannot indefinitely support such spending.

It remains too early to assess Mr Sharif's likely success on these treacherous political, economic and foreign policy fronts, but he is credited for at least making a beginning. Foreign direct investors remain cautious, but there is some hope of a real economic turnaround later next year. "Pakistan's

perception has improved in the eyes of investors and the fear that Pakistan will default on its international obligations is no longer there," says Mr Arif Habib, president of the Karachi stock exchange.

Despite all Pakistan's recent failings and failures, what people think shows some evidence of a hopeful country - one in which perhaps two-thirds of its 130m people are under 30 years of age. An annual international Gallup poll at the start of Pakistan's 50th year found 59 per cent of respondents saying they believed 1997 would be a better year than 1996. That made Pakistan the world's fifth most optimistic country. May that be a note the politicians catch as they hoist the jubilee flag.



PAKISTAN: 50 YEARS YOUNG, AND MORE PROMISING THAN EVER

At the young age of 50, Pakistan looks more promising than ever. In the wake of recent economic revival the export sector has been revitalised with new supportive measures. And ambitious targets no more appear to be illusive. It is in this spirit that EPB is forging stronger links with the world and defining new markets to promote Pakistan's exports.

Export Promotion Bureau
GOVERNMENT OF PAKISTAN

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II PAKISTAN

FIFTY YEARS OF INDEPENDENCE • by Dr Maleeha Lodhi

Belief in potential remains

On the eve of a milestone anniversary, hopes rest on a future of stability

On their country's 50th birthday, Pakistanis voice hope and pessimism in equal measures. The ambivalence reflects a half-century record of political failures, civil and military misrule, institutional decay and missed economic opportunities. But there is also recognition of the nation's ability to survive against heavy external and domestic odds. Public faith in leaders may be shaken, but belief in Pakistan's potential remains.

For all the gloom pervading Pakistan's noisy but cynical press, a recent opinion poll showed that nearly two-thirds of Pakistanis foresaw a "better quality of life" for their children in the future. Pakistan remains a country with an inherently strong base for economic growth, but where failures of governance have kept its ability to develop rapidly and prosper.

Political instability has been endemic. In 50 years Pakistan has had 17 prime ministers, three military insurrections and eight presidents (or governors-general). Five presidential dissolutions of parliament have occurred in the past nine years alone. Almost half of Pakistan's existence has been spent under military rule. The quest for a stable and viable political order has been frustratingly elusive.

The primacy of a strong executive over relatively weaker parliamentary and political forces is rooted in the circumstances surrounding the birth of Pakistan. In struggling to create a state structure in the bloody and chaotic environment of partition and during an early war with India over Kashmir, the priority of the country's leaders was order, not democratic expression.

These considerations also led to the postponement of crucial reforms. Ideally, these should have included utilising the colonial instru-

ments of control to serve the needs of development, and instituting land reforms to break the political and economic stranglehold of a feudal and political elite that dominated the country's politics for decades, acting as an obstacle to economic modernisation.

Postponed reforms also meant that the connection between the powerful civil-military bureaucracy and the ruling classes thwarted the country's democratic evolution. Pakistan managed to hold its first free and fair election only in 1970 - 23 years after its birth.

Tragedy also played a part. Pakistan's founder, Mr Muhammad Ali Jinnah died a year after independence. The mantle of this towering figure was inherited by a succession of squabbling political lightweights. In the early years, their arguments produced bitter disputes about the nature of the new state.

The most traumatic failure came in 1971. The province of East Pakistan seceded amid bloody turmoil to become the independent state of Bangladesh. This led to a second war with India.

Military defeat in 1971 delivered democracy. But the country's first elected prime minister, Mr Zulfikar Ali Bhutto, attempted to bring in a socialist reform programme of sweeping nationalisation and concentration of power. This not only set back economic development but also degenerated into autocratic rule. The army again seized power and ushered in Pakistan's longest spell of military dictatorship under General Zia-ul-Haq.

As president, General Zia left the most troublesome and enduring legacy. Many of the country's present day problems, including ethnic and sectarian violence and reduced state effectiveness to cope with threats to law and order, can be traced to General Zia's policies.

Added to this volatile mix was General Zia's transformation from virtual international pariah into the leader of a "frontline" state by vir-

tué of his stance confronting Soviet communism. Pakistan's role in resisting the Soviet occupation of neighbouring Afghanistan earned international applause and support. It also exposed the country to the dangerous fall-out of the war: the proliferation of weapons, the spread of illegal drugs and the patronage of extremist groups, whose fervour to promote the "jihad" was not limited to expelling the Russians from Afghanistan.

Pakistan today is still reeling from the aftermath of the Afghan war, as well as General Zia's manipulative politics. His use of public assets to set up networks of

Investment is needed to sustain the previous pace of industrial development

venal dependency between politicians and state institutions not only spawned a pervasive system of patronage and corruption but also drained scarce public resources.

The 11 years of General Zia's rule also represented an extraordinary missed economic opportunity. Just when generous levels of western aid were forthcoming, inflows of remittances from overseas Pakistani workers were also peaking. Between 1975 and 1985 Pakistan received \$35bn in remittances. Failure to direct this into investment in productive sectors meant a unique set of fortuitous factors yielded no durable economic dividends. Lack of investment in the infrastructure in rapidly growing cities like Karachi sowed the seeds for crime, violence, and ethnic tensions.

The now chronic budgetary resource problem emerged in the 1980s as a serious threat to financial stability. Fiscal indiscipline was, however, not new. In earlier decades, Pakistan's

cold war alliance with the west had provided budget-makers with the "luxury" of financing deficits with foreign grants and loans.

This fiscal irresponsibility, obscured by the largesse received from cold war allies, caught up with the country in 1985. That year marked a sharp break in Pakistan's budgetary history, with revenue no longer matching the government's current expenditure. For the next decade, successive governments borrowed heavily to finance not only development spending but also consumption. Compelled by continuing tensions with India to maintain high military expenditure, Pakistan allocated as much as 40 per cent of budgetary resources to defence. In the process, a huge domestic and external debt liability was created, becoming the most pressing of Pakistan's current economic difficulties.

In this setting of runaway deficits and a resource crunch, democracy was reborn after General Zia's death in an aeroplane crash in 1988. The return to an uncharted democracy coincided with the end of the cold war and the resultant diminution of Pakistan's strategic value in the eyes of its allies. Compounding the adjustment was the suspension in 1990 of US military and economic aid on the grounds of Pakistan's continued pursuit of a nuclear capability to match India's.

Adjusting to new global realities while coping with the country's legacy of living beyond its means was not easy. For both Ms Benazir Bhutto, during her two stints in power, and Mr Nawaz Sharif, the current prime minister, a daunting challenge has been to deal with the political consequences of undertaking austerity. Twice sacked under a constitutional amendment that gives the president the power to fire both parliament and prime minister, Ms Bhutto's fall from public grace had as much to do with her government's ineptitude as it did with the ongoing fiscal crisis.

Mr Sharif seeks to address serious macroeconomic imbalances by undertaking structural reforms in tariff and tax structures, hoping that incentives to boost industrial and agricultural output will yield more revenue. It is by no means certain that this supply side economic strategy will help correct imbalances and pull the economy out of its present financial hole.

It is all the more remarkable that despite a troubled and crisis-prone political history, Pakistan has managed to make significant strides in several spheres, including economic development and poverty reduction. Much of this has occurred despite and not due to official policy or action, encouraging the belief among most Pakistanis that less government is the key to a better future.

Endowed with considerable natural resources, an enterprising people, fertile land and one of the largest irrigation systems in the world, the country's GDP growth has outpaced population growth (high even by south Asian standards). This is shown in the rise in per capita income, from under \$70 in the late 1950s to over



Show of strength: a dress rehearsal for Pakistan's National Day

David Arnold/Reuters

\$470 in 1996. Pakistan's real per capita income, measured in purchasing power parity (PPP), is \$2,100, almost 75 per cent higher than India's.

In many respects, Pakistan is better positioned now to move ahead with rapid economic development. If the cold war's end forced difficult adjustments, it also opened new opportunities. Its situation next to the newly independent and resource-rich region of central Asia means that Pakistan could become of central

importance to this area.

While the country's dynamic private sector has acted as the engine of growth, investment is needed to sustain the previous pace of agricultural and industrial development. Pakistan also requires an end to financial imbalances. However, the key to realising Pakistan's future economic potential is political stability, which has so far been elusive.

The biggest threat to stability could come from the

unwillingness of the elite to share power and from the fiscal crisis fuelling an economic downturn. If the elite is also unable to stem the growing erosion of state authority, more lawlessness could ensue. In this potential scenario, people may look for salvation in more radical alternatives, based on religion or regionalism.

Dr Maleeha Lodhi is the editor of *The News* and Pakistan's former ambassador to the United States.

ECONOMY • by Farhan Bokhari

Mr Sharif's fiscal gamble

In the context of a heavy debt burden, the prime minister's tax cuts look incongruous

Mr Nawaz Sharif, the prime minister, is eager to defend some of Pakistan's sharpest cuts in both personal and corporate taxes this year. But his strategy of offering some of the largest tax breaks ever has also set the country upon one of the riskiest tracks adopted in its 50-year history.

Pakistan's economy has seldom before faced a more gloomy outlook. At the very start of the new financial year in July, many analysts were forecasting that the country would, for the first time, default on its \$39bn foreign debt by this coming December.

Unexpected but precious help from the IMF has averted that crisis, but the need for wide-ranging reforms remains urgent. Keeping up with repayments on the country's domestic debt of Rs1000bn (\$3.81bn), is an added liability for Pakistan's cash-strapped economy.

Servicing the burden of foreign and domestic debt during the current financial year (1997-98) is expected to absorb more than 40 per cent of budgetary expenditure, the largest proportion ever devoted to debt servicing.

An increasingly heavy debt burden has hardly been helped by meagre economic growth. Last year, (July-June) gross domestic product increased by just 3.1 per cent: in a country where annual population growth is at least 3 per cent, that effectively amounts to a standstill.

Other economic indicators were also bad. Large-scale manufacturing contracted for the first time ever in 50 years, while agriculture, which is the backbone of the economy and responsible for almost a quarter of GDP, grew only 0.7 per cent.

Pakistan's worsening international trade performance is among the most visible symbols of its economic malaise. The trade deficit for the year that ended in June hit a record high of \$3.37bn, up from \$3.1bn the previous year.

Yet the government has slashed personal taxes from a range of 10 - 35 per cent to one of 5 - 20 per cent and announced reductions of between 3 and 8 per cent in corporate tax rates. The measures have been accompanied by cuts in import tariffs of up to 20 per cent, lowering the top rate to 45 per cent.

The cuts are part of Mr Sharif's strategy to encourage more people to pay taxes. Inadequate systems of collection and inspection mean that currently only one million Pakistanis - less than 1 per cent of the 130m population - are tax payers. In a *Financial Times* interview ahead of Pakistan's 50th anniversary, Mr Sharif said: "You keep on increasing the rate of taxes, and at the same time you are very harsh with tax payers. That doesn't solve the problem."

The success of Mr Sharif's

effort in part depends on the country's cotton crop, at least until such a time that the manufacturing sector grows to overtake agriculture. More than half of Pakistan's exports still consist of cotton products, mainly textiles and related materials.

In the past three years, successive crop failures have increased the price of cotton in the domestic market and eroded the profits of the textiles sector. Export growth has been slow, and both the international trade and current account deficits have swelled.

Many businessmen have acclaimed the tax cuts on the grounds that they will help to improve Pakistan's investment climate and restore battered confidence in the country. Mr Sharif's reforms are beginning to pay-off with help from the IMF, which is in the process of considering a request for a \$1.6bn medium-term loan, due for disbursement over the next three years.

Having won the approval of IMF's management, Mr Sharif is waiting for formal authorisation by the board's executive directors in September. To many analysts, a favourable outcome is already a foregone conclusion, especially in view of the strong endorsement by the fund's technical staff.

Pakistan desperately needs

the fund's support to overcome its short-term debt repayment crunch. With foreign banks taking the lead from an IMF programme and offering new credits to Pakistan, Mr Sharif would then be able to survive the tough year ahead.

He hopes to use such a window of opportunity to launch some of the biggest economic changes ever undertaken in Pakistan, including large-scale reform and privatisation of the public sector. Pakistani banks could be among the first to take the initiative later this month, when at least one of the three large public sector banks (Habib, United and National) is expected to announce staff retrenchments and the closure of loss-making branches.

Pakistan exporters have also been offered a number of incentives, including promises that duty drawbacks claims, which in the past remained unpaid for several months, will have to be refunded within 72 hours of processing exports orders. The government has also urged the central bank to lower borrowers' interest rates from the 22 - 25 per cent range. In just the first six weeks after this year's budget, the central bank lowered its repo (repurchase contract) rate by a total of

1.5 per cent, in moves that are already seen as setting the scene for the year ahead.

Mr Sharif's plans are, however, riddled with a number of difficulties, most notably, the risk that government revenues will fall short of expectations in spite of the tax breaks. The IMF has been promised a budget deficit of 5 per cent of GDP this year, down from 6.1 per cent last year.

But many argue that large-scale tax evasion is a deep-rooted cultural problem in Pakistan, and it is unrealistic to expect an end to it without tough action.

Mr Zahid Zabeer, secretary general of the influential Overseas Chamber of Commerce and Industry (OCCI), which represents all foreign businesses in Pakistan, says: "This is wishful thinking. The gamble will not pay off. Pakistan will look silly in 12 months. The deficit will be higher; people will not pay voluntarily."

Mr Sharif, however, has shown no signs so far of embarking upon punitive measures of the kind that would enforce compliance. Instead, he says he is convinced that "the risk was very essential to boost the morale of the investors and taxpayers in the country."

He now has to wait to find out if his conviction yields results.



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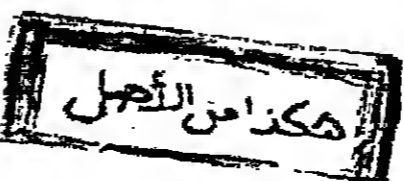
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IV PAKISTAN

THE ORANGI PILOT PROJECT • by Jeremy Grant

Private money, public interest

The poor of west Karachi are being helped – without intervention from the government

The spectacular collapse of the Bank of Credit and Commerce International (BCCI) in 1991 stunned the world of finance, ruined thousands of depositors and stained the reputation of its largely Pakistani managers.

But in a curious footnote to the scandal, BCCI's legacy lives on – in a former Karachi slum.

Money donated by the former bank's charitable trust is still funding the Orangi Pilot Project (OPP), one of Pakistan's earliest and most successful urban renewal projects.

The OPP has transformed the lives of a million immigrants in Orangi township, a dusty warren of lanes and low-rise dwellings on the city's western fringes.

It has also succeeded where governments have repeatedly failed.

Networks of informal "peoples' agencies" have filled the gap left by state institutions: Orangi's social and welfare services are almost entirely independently run.

Since its inception in 1980, the OPP has had a significant effect on the way multi-lateral agencies approach development issues in Pakis-

tan. It has also started to receive grudging acceptance from the government.

The OPP philosophy is rooted in self-help. Poor communities are encouraged to pool resources to build infrastructure and social services. When Orangi started harbouring large numbers of refugees in the early 1970s – mostly non-Bengalis from Bangladesh – the government failed to provide basic infrastructure.

Part of the problem was that the settlement was viewed as illegal and fell outside the scope of a city masterplan. Indifference, incompetence and political instability were also to blame.

Settlers were thus forced to build their own. Illegitimate homes. There was neither fresh water nor sewage facilities. Filth flowed freely into the lanes that separated homes, and the incidence of fatal diseases was high.

Yet residents clung to the belief that the Karachi authorities would eventually do the right thing. "We told them: either you wait for the government and the people will keep on dying and your houses will collapse, or you mobilise yourselves," says Mr Anwar Rashid, OPP director.

The OPP set about creating work units consisting of the families living in one lane. People were taught to develop a sense of responsibility for the lanes, to treat

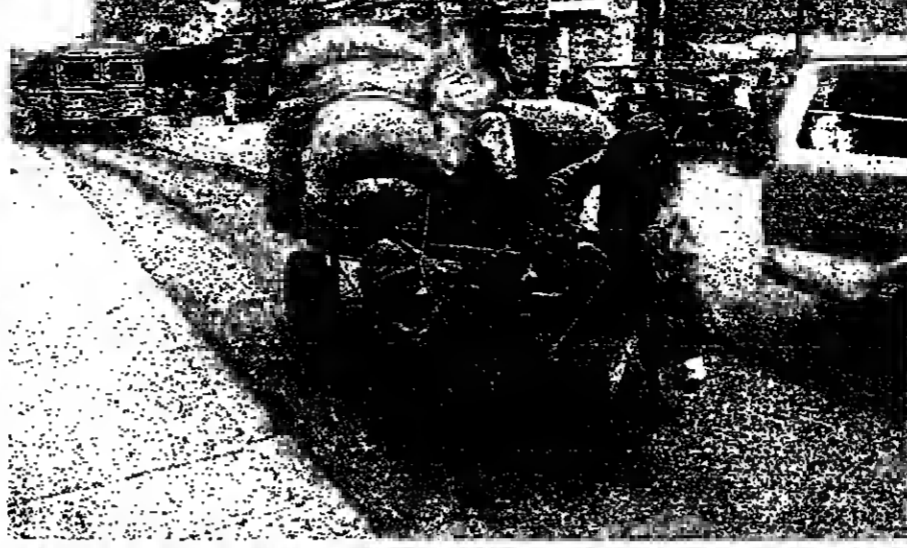
them as an extension of their own homes.

"Lane managers" went from house to house collecting funds for pipe-laying, for sanitation and for water projects and helping to arbitrate in disputes. A month's salary – about \$25 – was enough to provide basic infrastructure for each family.

Mr Rashid estimates that families in Orangi have invested about \$1.75m of their own money since 1980, and that more than 90 per cent of homes have adequate access to water, sewerage and other basic services. "If it had been done by official agencies, the cost would have been seven to eight times higher."

Since 1997, the OPP has expanded into low-cost building schemes. These are run by "dalals", private entrepreneurs who, as an OPP brochure puts it, "have learned the art of collaborating with and manipulating our greedy politicians and bureaucrats". Effectively, they have become the local housing authority.

Family planning, health-care and loans for small businesses are also part of the OPP's expanded programme. At the Javaria Clinic and Maternity Home, women dressed in traditional wraps queue patiently for advice and treatment. A young doctor dispenses "Touch" condoms – contraceptives that have only been



Road to progress: urban renewal is transforming lives

available for the past 12 months in this part of Orangi, largely thanks to OPP funding.

Not far down the road, carts piled with over-ripe bananas bask in the sun. A young hihari man called Zafar supervises two employees tailoring material to be made into T-shirts. He says he is on his third OPP loan and could never have started the business without financial help.

The OPP's achievement is all the more remarkable for having taken place in a neighbourhood that is just as much a byword for violence and political revenge as it is for social deprivation. Orangi is a base for the

ethnic-based Muttahida Qaumi Movement (MQM), whose campaign for Mohajir rights often erupts into violence on the streets of Karachi, disrupting business and closing the stock market.

About a third of the population is Mohajir. MQM graffiti is scrawled on many buildings and shop fronts, often accompanied by the stencilled image of its exiled leader, Mr Altaf Hussain.

One local journalist says the OPP has managed to avoid alienating the MQM and its supporters by carefully maintaining a non-partisan line. "They've never built any parallel authority and have sometimes drafted in MQM people to advise."

The OPP started as a BCCI initiative but is now funded from five sources, including the United Nations Development Programme.

Its model has been copied elsewhere and the Asian Development Bank has retained OPP staff as advisers on its projects. "This is the message to development agencies: if the people are not considered as an equal partner, you cannot go ahead," says Mr Rashid.

But he is less charitable when it comes to government efforts, "in principle, they've accepted our ideas. But governments keep collapsing. Show me the government. Where's the government?"

KARACHI • by Farhan Bokhari

Stability on a knife edge

Violence in the business capital is one of the government's biggest problems

Almost a decade of political turmoil has taken its toll on Karachi, where private security has become one of the fastest growing ventures. Industry has stagnated and business growth has suffered.

Karachi's image as a violent city – more than 200 people have been killed in armed attacks there this year alone – deters international travellers.

For Mr Nawaz Sharif, the prime minister, the stakes are high. His hopes of witnessing a substantial growth in tax revenues on the back of generous new inward investment could easily be jeopardised if lawlessness in the country's business capital continues unabated. Mr Sharif acknowledges that the violence in Karachi is a problem and promises effective but unspecified measures.

Businessmen such as Mr Mian Muhammad Mansha, president of the private Muslim Commercial Bank, estimate that almost a quarter of the government's revenues rely upon peaceful conditions in the city, which is Pakistan's most vital export and the site of many corporate headquarters. Mr Mansha says: "Resolving the situation in Karachi is one of the basic prerequisites for the success of economic reforms."

At the heart of the latest cycle of violence is a bloody split within Karachi's largest political group, the MQM. The group has just formally changed its name from Mohajir Qaumi Movement (immigrants' national movement) to Muttahida Qaumi Movement (joint national movement).

Its leader in exile, the London-based Mr Altaf Hussain, is seeking to widen the appeal of the MQM, currently perceived as only representing Karachi's Urdu speakers.

The movement has fought successive Pakistani governments during the past decade, demanding more rights such as special job quotas for its members. Some of its followers are armed militants, able to attack opponents across the city. The movement's rise is partly a reflection of Pakistan's worsening economic conditions and the breakdown of its local political institutions.

Senior officials say that many of those involved in the violence are educated youths, who have turned to crime after failing to get jobs. Repercussions of the 18-year long conflict in neighbouring Afghanistan are also a factor: Pakistan has become awash with weap-

ons, such as the lethal AG-47 Kalashnikov rifles, which have freely crossed the border as a result of the war.

Part of the problem has been the absence of the local municipal corporation, dissolved almost five years ago when the government in Islamabad came to feel threatened by the MQM's strength in the local government. Mr Ukram Sehgal, a Karachi businessman and newspaper columnist, urges the need for immediate restoration of an elected local government. "Instead of leadership from the grass-roots going to 15-year-olds carrying guns, it should be given back to the people," he says.

Time is running out for Mr Sharif if he wants his recent reforms to deliver results in the next 12 months. However, his room for manoeuvre has been constrained by the fact that his party, the Pakistan Muslim League (PML), rules the province of Sindh, of which Karachi is the capital, in coalition with the MQM.

Tough measures to curb the unrest only promise to strain or even break the alliance, and eventually to lead to the provincial government's downfall. The prime minister also has the option of dissolving the provincial government himself and taking the province under the direct rule of his federal government in Islamabad. That may help to stabilise the situation in the short term, but is bound to enable the MQM to score more points with the public and, therefore, to increase its chances of winning with a larger majority at the next elections.

Also damaging for Mr Sharif is the emerging recognition of the track record of Ms Benazir Bhutto, the opposition leader. While prime minister, Ms Bhutto orchestrated a large-scale security crackdown that brought a temporary calm to the city.

Some critics have gone as far as suggesting that Major General Nasirullah Bahar, the former interior minister in the Bhutto government, who led the crackdown, should be hired by Mr Sharif as a special consultant on Karachi. In reality, of course, that is unlikely to happen: the government would be conceding defeat if it turned to the opposition for help.

For Mr Sharif, handling Karachi will remain a vital test. Ms Bhutto's opposition PPP (Pakistan People's Party) has its roots deep in the province of Sindh. Many analysts say that Sindh will eventually become the axle on which Ms Bhutto will begin to revive her battered political fortunes. Reports of the political death of the opposition leader have been premature before: events in Karachi may set the course for her to prove once again that she is capable of staging a comeback.

PROFILE Software industry

Realism quashes euphoric projections

There has been excited talk in Pakistan over prospects for its nascent computer software industry. Some government officials suggest this sector might, by 2000, have eclipsed cotton exports as Pakistan's highest foreign exchange earner. Euphoric projections of exports reaching \$700m to \$900m early next century are bandied about in the press.

None of this impresses the country's highest software group, CresSoft, a subsidiary of the \$1bn-turnover Crescent Group which is one of Pakistan's biggest diversified companies.

"There needs to be some realism at the top that big numbers can't be achieved just by fast talking," says Mr Waqar Ahmed, CresSoft's Colorado-based president. "Some officials seem persuaded that Pakistan already manages exports of \$100m."

The true figure – an estimate in the absence of

good industry figures – is smaller. The Pakistan Software Houses Association (Pasha) says the sector last year turned over \$40m, with exports perhaps worth \$25m. Even that, suggests Mr Humayun Mazhar, chairman and managing director, is optimistic. "To our knowledge, we are about the only major exporter of any size," he says.

CresSoft is the highest exporting software house by far. Last year it turned over \$7m, almost all earned in the US market, and claims to average a profit margin of 30 to 35 per cent. This year the company expects turnover to reach \$10m, rising to perhaps \$20m in three years.

But this, says Mr Ahmed, is based on an aggressive business plan which foresees CresSoft maturing from a growing base in the US market as a provider of offshore software services into a seller of its own licensed products.

With 285 software

professionals, CresSoft has been able to chase the export market from its inception five years ago, rather than evolving as an exporter having begun by servicing the local market.

The company started, says Mr Ahmed, by examining the problems of other overseas service providers, mostly those from India, Israel and Ireland. He says CresSoft identified weaknesses in their approaches: one was the trend to manage companies from home bases in Dublin or Bangalore, often thousands of miles from the target market.

Thus CresSoft from the outset established a base office in the US, where it is now registered as a Class 2 corporation. With 35 staff operating from an office in Colorado, Mr Ahmed says CresSoft is now "run and managed from the US".

The group also sought to recruit as many highly-qualified, US-trained Pakistanis as it could find. It now has 13 PhD-qualified

engineers on its books and almost 40 more US-educated post-graduates.

CresSoft has also relied heavily on the financial muscle of its parent, Crescent, which enabled it to establish its US infrastructure. It is an advantage few of CresSoft's smaller Pakistani peers share, given the lack of any venture capital industry in Pakistan, or means in general for small software houses to raise either start-up or working capital from commercial banks.

The company has concentrated entirely on the US market, securing a first contract in the early 1990s with American Airlines to set up crew management software. A flush of further contracts followed, notably a deal worth around \$7m with Time Warner, the media group, to help establish a customer-care system for its cable telephone venture with US-West, the telecoms operator – a deal widely regarded in Pakistan as

marking a breakthrough for its software industry.

CresSoft is now aiming to develop some of the software applications it has developed through servicing clients into proprietary products. It has already taken exclusive marketing rights on a crew training and allocation system it has been developing for Northwest Airlines. The company is also planning to set up a dedicated marketing team – having started its marketing efforts largely by cold-calling contacts among Pakistani expatriates in the US.

The company's executives are critical of the government's real, rather than rhetorical, support for the industry. The government has in the past few months announced a series of incentives for software exporters, including duty cuts for hardware and software and new vehicles for export financing. But such moves are seen as insufficient to give the industry enough of

a boost to pitch Pakistan into the league of other offshore software centres.

Most vital, suggests Mr Ahmed, would be government support for training schemes and centres to develop local software engineering skills. "Pakistan has perhaps 150 to 200 people who are in the market with export-level skills. That certainly isn't sufficient," he says. "Unless some practical programme for training is put together, the government's rhetoric alone is not going to achieve anything."

In the event, CresSoft is developing as a US rather than a Pakistani company. An eventual public offering, says Mr Ahmed, would be more likely in the US than on the Karachi bourse. "We're very quickly moving in that direction, if being a US company," he says. "That shouldn't be happening, but you have to fight every single step of the way here."

Mark Nicholson

LANDMARKS OF PAKISTAN

Celebrating 50 years of Pakistan





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RELATIONS WITH INDIA • by Mark Nicholson

An opportunity to end the deadlock

Two leaders find different motives for calling talks to attempt reconciliation

Fifty years after partition, and following three wars - one which severed West Pakistan from what is now Bangladesh and two over the still disputed territory of Jammu and Kashmir - India and Pakistan have embarked on another attempt at diplomatic reconciliation.

The top foreign office bureaucrats from both sides will meet next month in New Delhi to begin what could represent for the first time in decades a warming "peace process" between the two chilly neighbours.

They will discuss eight areas of contention, including trade, visa restrictions, drug trafficking, terrorism, the demilitarisation of certain "hot" border areas and, most notably, the status of Kashmir - an inclusion hailed in Islamabad as a diplomatic victory given India's previous reluctance to address Pakistan's "core issue" with its neighbour.

But after decades of mistrust, a tradition of belittling rhetoric, mutual accusations that each country's intelligence services are fomenting unrest behind the other's borders, and all against the dark menace of both nations' nuclear and missile programmes, uncertainty remains. "The fact talks are happening is good," says a western diplomat. "But they will be slow and difficult."

It is, after all, 26 years since Mrs Indira Gandhi and Mr Zulfikar Ali Bhutto met in the Indian hill station of Simla, in the aftermath of West Pakistan's heavy defeat at Indian hands in Bangladesh, and signed a treaty committing both sides to negotiating all outstanding bilateral disputes. The few peace overtures since, though, have fizzled out and died. This latest initiative, perhaps the most serious since Simla, comes after three frosty years without any official bilateral discussion at all.

Both sides claim credit for initiating these fresh overtures, which began earlier this year with a foreign secretary-level summit in March. A later meeting of foreign ministers in Delhi was then followed by talks in the Maldivian capital, Male, in the margins of a regional summit, between the prime ministers, Mr Nawaz Sharif and Mr I.K. Gujral - the two Punjabi-born politicians reportedly discovering a cordial and workable chemistry.

From Delhi's vantage point, the detente is fruit of the "Gujral doctrine", the strategy of India's prime minister - who also retains the foreign portfolio - of seeking to improve regional relations by acknowledging India's status as the regional power, and thus being prepared to offer greater concessions to its neighbours than it demands.

In Pakistan, meanwhile, the breakthrough has been seen primarily as arising from the initiative of Mr Sharif, who placed improved relations with India high on the agenda during his successful election campaign in February this year, and

acted to start talks swiftly thereafter. But, for many observers, who began the initiative is less important than the fact that both leaders simultaneously saw compelling reasons to break a sterile relationship which had descended into ritualistic rhetoric and recrimination. In many minds, the compulsion for Mr Sharif is economic, while that for Mr Gujral is primarily political.

"Sharif has realised that the economy is in trouble," says a former Pakistani minister in touch with both leaders. "This is the real issue. He realises that unless there is some detente between India and Pakistan the military burden will be very heavy, and indeed heavier on Pakistan. The country says three times per capita for defence what India pays. India, meanwhile, wants a role on the world stage. It wants a seat as a permanent member of the UN, and to join the league of big nations. It can't do that

while engaged in a terrible dispute with its neighbour and while suppressing human rights in Kashmir."

The question now, however, is whether the mutual desire to reopen talks will deliver "a process rather than an event", in the words of Mr Gujral, and whether such a process can provide more than token gestures of goodwill. On both counts there is cause for caution.

Both leaders tread warily when asked whether an enduring "process" has

indeed begun. Each suggests it remains early days. "The atmosphere of a dialogue to resolve our differences has set in," is how Mr Sharif phrased his response in a recent interview. And perhaps the greatest reason for his doubt must be over the political longevity of Mr Gujral, whose fractious and increasingly fractured United Front government may not last much longer.

Fresh Indian elections could deliver a government led by the Hindu nationalist

Bharatiya Janata Party. The BJP is far less politically inclined to a concessionary mood towards Pakistan, and is accordingly deeply suspected in Islamabad. Such uncertainties are liable to stall much early progress in the bilateral talks.

As to whether firm agreements can be concluded, here too there is doubt. Both sides' positions on Kashmir remain intractable.

Pakistan, championing the right to "self-determination" of the majority Moslem community in the Kashmir valley, insists the Indian troops must withdraw from the disputed territory under Indian jurisdiction and then accede to a 50-year-old UN call for a plebiscite among Kashmiris as to whether they wish to accede to India or Pakistan. India adamantly opposes both suggestions, insisting instead that Pakistan cease the alleged backing of a Kashmiri insurgency, which has led to 30,000 deaths since the early 1990s.

The question, therefore, is whether either side could countenance concluding deals in other areas without any "solution" having been found to the Kashmir issue. This, too, remains unclear. "We want progress on everything simultaneously," says Mr Sharif. "Whether we want progress on trade or on other issues, at the same time we want progress on Kashmir also."

Mr Dar says that with India likely to retain the bulk of import restrictions for the next two or three years, the country's already more developed manufacturing and exporting industries would pose an even greater threat to Pakistan's limited - and currently contracting - industrial base.

Mr Dar's view, widely shared among Pakistani businessmen, augurs poorly for any swift removal of the current trade barriers, whatever the political progress in bilateral talks. "We have to be more careful now in dealing with India. India is very possessive and restrictive of its industry. As of today, we would be the net loser in any liberalisation of trade," he says.

Mark Nicholson

Resisting free trade with 'restrictive' India

Pakistan would be a "net loser" if trade with India were to be liberalised as a result of warmer relations between the two mutually suspicious neighbours, says Mr Mohammed Ishaq Dar, Pakistan's commerce minister.

Mr Dar's remarks suggest that Islamabad would find economic grounds to resist expanding its currently limited trade with India, even if bilateral talks made such liberalisation more politically palatable.

"Right now, if you just opened up everything, our industry would be hit very badly," says Mr Dar. "They would just dump goods and we don't at the moment have an anti-dumping law."

Direct trade between south Asia's biggest neighbours is negligible - just over \$100m worth of goods

officially crossed India's borders with Pakistan in 1996. Unofficial trade, largely smuggled kitchen goods, tyres, cotton items, medicines, cosmetics and other goods is believed to be much larger, perhaps worth \$1bn or more. Most of such trade comes indirectly by way of Dubai.

Both countries have made a certain number of gestures to increase bilateral trade, mostly in line with the limited free trade measures undertaken by the seven-nation South Asian Association for Regional Co-operation, the regional forum which espouses the eventual hope of creating a free trade area encompassing India, Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan and the Maldives.

In this year's trade policy, Pakistan permitted the import from India of an additional 14 items, including cotton goods and tyres, taking to 600 the number of goods it will allow formally to cross its borders.

But while India has granted Pakistan Most Favoured Nation (MFN) status, Pakistan has not reciprocated. Neither will it, says Mr Dar, until India more generally frees its present import restrictions, notably its ban on the import of most consumer goods - a restriction which recently led the US and other trade partners to invoke disputes procedures against India at the World Trade Organisation.

"Pakistan has only 40 items on its reserved list, while India has 2,700," says Mr Dar. "With such a huge restricted list, how can we offer MFN?"

BANKING • by Jeremy Grant

Sure steps on the road to reform

Tougher action on bad debts and commitment to privatisation bode well for the banks

Pakistan's banks have spent much of the past two decades digging themselves deeper into debt.

Nationalisation in the early 1970s bred a dangerous culture of politically inspired lending. Successive governments turned a blind eye while the number of bank branches soared and legions of staff were hired, regardless of cost and efficiency.

ING Barings estimates that the country's three big state-owned banks - Habib Bank, National Bank of Pakistan and United Bank Ltd (UBL) - are overstaffed by 50 per cent.

But the party is over. Pakistan's post-Bhutto caretaker government initiated reforms to which the current government of Mr Nawaz Sharif has given additional momentum.

There is now optimism - albeit guarded - that this spells the dawn of a new era in Pakistani banking, marked by commercial rigour, downsizing and responsible lending.

That will be an aid to solving the country's other economic woes, particularly given the government's historically heavy dependence on the banking sector to

cover the budget deficit.

"I think this government has realised you have to take care of banking reforms and once you do that the ripple effect is felt elsewhere in the economy," says Mr Kamran Faridi, managing director of Citicorp Investment Bank (Pakistan).

The first significant step was the passage in May of a law granting autonomy to the central bank, entrusting it with limiting the expansion of credit to federal and provincial governments.

The State Bank governor Mr Muhammad Yaqub has started to use this independence to bring about far-reaching changes. The bank has begun to issue quarterly reports on the economy which are submitted to MPs in Islamabad. The first report, which came out this summer, urged fiscal restraint on government expenditure.

All key appointments in the banking sector are now made in consultation with the State Bank.

In a dramatic departure from previous practice, bureaucrats at the top of the three state-owned banks have been replaced by private sector bankers - two from Citibank and another from Bank of America.

The initiative reflects Mr Sharif's drive to bring private sector expertise into the reform process. "He's not just rearranging bureaucrats. He's seen that this requires more than business as

usual," says Ms Fatma Shah, senior financial analyst at HSBC James Capel in Islamabad.

Mr Shaikat Tarin, a former Citibank executive who now heads Habib Bank, has begun to have an impact. Foreign bankers say he is finalising plans to shed some of the bank's estimated 30,000 superfluous staff.

As part of the reforms, there have also been serious attempts to address treatment of non-performing assets and inefficiencies at the public sector banks.

Mr Yaqub earlier this year announced an incentive package for loan defaulters to reach settlement with banks voluntarily. The move is being seen as the first serious attempt to tackle the sector's estimated \$130bn in bad debts.

Under a new statute passed in June, Pakistan's largely toothless banking tribunals are to be strengthened and more tribunals are to be created to ensure more rapid recovery of defaulted loans.

Banks now have easier access to mortgaged property and the law has eliminated most of the technical barriers that previously delayed asset recovery proceedings. "In the previous system, people would joke that whenever a bank went to court for recovery the defaulter would go on holiday because he knew the process would be bogged down in the courts for

years," says Mr Muhammad Azimuddin, vice president of global finance at Citibank.

Despite the improvements, there are still formidable hurdles. Privatisation is arguably the most important plank of Mr Sharif's banking reforms, and progress on selling off the top three state-owned banks is one condition for further World Bank and IMF funding.

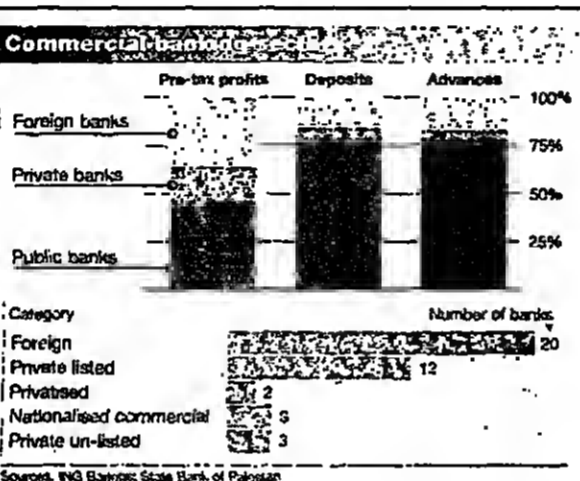
A positive signal was sent earlier this year with the sale of 70 per cent of Habib Credit and Exchange Bank (HCEB) - a unit of Habib Bank - to a group controlled by the royal family of the United Arab Emirates.

But Mr Sharif and the World Bank have set highly ambitious timetables for auctioning other banks. Under a special bank structural adjustment loan being worked on with the World Bank, Habib Bank is to be divested by early next year, with UBL following in June 1998 and the National Bank by December 1998.

"It's unrealistic. I don't think these reforms are a matter of 18 months," says Ms Shah.

Some say the Bank and the government have underestimated the extent of the problems caused by loan defaults at the three banks and that more time is needed for valuation. "To sell some of those companies early you're not going to get that much of a price because of their debt," says Mr Nik Cherrill, chief executive of Hongkong Bank.

Another cause for concern is whether defaulters will



actually pay up. The banking tribunals are also poorly staffed. One Karachi stock broker draws a parallel with Islamabad's chronic inability to collect taxes: "They have to throw a few people in jail for not paying. You've given the carrot, now you've got to use the stick."

Commentators have said that moves to make banks more revenue-driven must be balanced by the need to encourage deposits. Pakistan's savings rate is, at 19-14 per cent, among the lowest in the world.

Some recent steps have been criticised. Habib Bank has introduced a minimum deposit of Rs1,000 for ordinary depositors, who for decades have been able to open a current account with a mere Rs5.

The bank also said it would levy a Rs150 charge on account-holders whose balance fell below the minimum. "It amounts to scaring away people from banks," the Dawn newspaper said in a recent editorial. "Does it mean the banks have been permitted to totally abandon their social function of inculcating the habits of savings and banking?"

Bank managers will also still have to tread carefully to avoid any union backlash. But foreign bankers give Mr Sharif credit for taking what previously would have been seen as politically unthinkable steps.

According to Mr Graham Willis, country manager for ING Barings, "They've just started what they should have done a long time ago."

Interest low in Islamic banks

Recently, a Moslem Pakistani woman married to an Indian wrote a letter to a national daily newspaper asking for advice. In order to visit his relatives across the border, the law said she needed a passport. And that required her to do something most un-Islamic: have her photo taken.

The editor replied by telling her she had no choice but to submit to the photograph in the knowledge that it was a sin. All she could do in the meantime was pray to Allah for forgiveness.

Such dilemmas are common in modern Pakistan, which was founded as an Islamic state 50 years ago but which has adopted many aspects of western legal systems and business culture.

Nowhere is that more apparent than in the country's ambivalent embrace of Islamic banking.

Islam says that anyone entering into a business transaction should be doing it for reasons of virtue and social benefit. The concept of interest - the mainstay of western banking - is prohibited because it fails

to satisfy those criteria. Pakistan is in theory supposed to have been moving towards a fully-fledged Islamic system since 1984, when the idea was introduced by the then military regime.

But that has not happened. Western banking practices are so entrenched that it has not taken root. Only two local banks offer truly Islamic banking services.

Although interest is banned, most banks - including foreign banks - have dodged the issue by renaming it "mark-up".

"We are still not truly following an Islamic mode of banking. There's always been this question. I think the mullahs [religious academics] are saying legally it's okay, but it doesn't fit in with the principles of Islam," says Mr Gohar Butt, manager of planning at ANZ Bank in Karachi.

As the conceptual debate continues, depositors, too, are taking a pragmatic approach. Bankers say most Pakistanis prefer to receive interest on their deposits. About 80 per cent of

domestic deposits are denominated in foreign currencies, which allow interest payments, and the rest in rupees, which do not.

Nevertheless, there are those who still believe that Islamic banking's time has come.

Mr Ahmed Shuja Kidwai, Karachi branch manager of Al-Baraka Islamic Investment Bank, claims that Islamic financing mechanisms offer more transparency and accountability than western practices, attributes that would help reduce currently high levels of corruption. "For every lending there will be a justification and a purpose," he says.

But Dr Ashtaq Hussain Kadri, an economist at the Islamic Chamber of Commerce and Industry in Karachi, says that the subtle contradictions in Pakistan's banking system will remain for some time: "I don't think in the next few years it's [Islamicisation] going to happen. The roots of the British banking system are very strong."

Jeremy Grant

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PAKISTAN

HUMAN DEVELOPMENT • by Mark Nicholson

The record remains a dismal blot

Continued elitism has negated economic gains and the poverty rate is growing

Since its creation, Pakistan has consistently outperformed the economies of its region. Output has climbed along at a respectable average growth rate of 6 per cent a year since 1947; income per person rose 231 per cent between 1970 and 1993 and, at \$430 a year, is now 75 per cent higher than in neighbouring India.

These statistics make all the more dismal Pakistan's record on human development. Poverty, some recent evidence suggests, has actually been increasing.

Research published last year by Mr Shahid Javed Burki, the World Bank director who was finance minister in Pakistan's recent interim government, found that while the proportion of absolute poor in Pakistan – those living on less than \$1 a day in terms of purchasing parity – fell between 1980 and 1990 from 38 per cent to 20 per cent, the figure has since risen towards 30 per cent. By this calculation, 39m of Pakistan's 130m people qualify as poor.

The reasons, Mr Burki suggested, were structural. Pakistan's annual population growth of more than 3 per cent – which itself has risen in the 1990s – negated much of the growth in economic output. More fundamentally, Pakistan's traditional – and stubbornly entrenched – political and social structures were skewed against the poorest.

The political dominance of the country's "feudal" and landowning class had contributed to uneven land ownership and taxation. The political predominance of this elite – including more

than half of Pakistan's elected MPs – has directed government spending away from social services, most notably primary education.

To this gloomy analysis, Mr Mahbub ul-Haq, the Pakistani economist who originated the UN's human development index (a scale which places Pakistan 134th of 174 nations), recently added a series of other contributory causes. In the recent report, Human Development in South Asia, compiled by his development think-tank in Islamabad, Mr ul-Haq cites corruption and Pakistan's heavy defence spending.

While adult literacy rates in Pakistan have risen since 1970 to 36 per cent from 21 per cent, they are still the lowest in south Asia, itself the least literate region in the world. Moreover, the report estimates that 43 per cent of the population lacks basic health facilities, 48 per cent live without clean drinking water, and nearly 64 per cent do not have basic sanitation.

There have been some successes. Average life expectancy has increased to 62 years from 43 in 1960. The infant mortality rate has halved in the past 30 years. Food production rose by almost 20 per cent in the last decade, and school enrolment has doubled since 1980. Indeed, in the view of Mr ul-Haq, Pakistan's post-independence economic performance itself must be viewed as a considerable success – the disappointment being the distribution of the resulting wealth.

"After all," says Mr ul-Haq, "Pakistan started behind India at partition and has seen growth of 6 per cent a year since – that takes some doing for a nation which was declared non-viable at birth. The problem was that this growth got concentrated in the hands of a feudal elite: it



Primary investment: schools require more financial input. South Murray

was done in a very primitive capitalist environment."

The solutions, development economists suggest, are seen in greater moves towards land reform, a restructuring of Pakistan's skewed tax system, cuts in a defence budget which consumes 7 per cent of GDP, and corresponding increases in social spending, particularly on basic education.

There are modest signs of a policy tilt in the direction of public expenditure. The Moslem League government of Mr Nawaz Sharif cut defence spending in its June budget by 12 per cent in real terms. But while this brought no immediate benefit to social spending, the move is at least seen as a recognition that Pakistan's present high levels of defence spending (\$28 per capita against \$10 per capita in India) may not ultimately be sustainable.

The new government is also committed to holding Pakistan's first full census in almost 30 years in the near future. The lack of a census over the last three decades has effectively hidden Pakis-

tan's rapid urbanisation since the 1970s, and thus frozen in place a political and electoral system which is still strongly biased towards rural areas and thus the powerful landowners which dominate rural Pakistan.

A census which showed Pakistan's urban population now to be the equal of that in the countryside – the result most analysts expect – might prompt a political realignment in favour of the cities and away from the traditional rural elites. The hope of analysts such as Mr ul-Haq is that such a result would foment a "quiet political revolution", one which would offer some hope of rebalancing Pakistan's unequal economic distribution towards the needier.

Any such a revolution remains rather putative. But, as Mr ul-Haq's report suggests: "Without some fundamental reforms, the prospects for human development in Pakistan appear quite bleak."

Human Development in South Asia 1997, The Human Development Centre, Islamabad.

TOURISM • by Jeremy Grant

Off Asia's beaten track

Despite natural splendour and historical sites, the visitors have stayed away

For a country that was the cradle of Hinduism and Buddhism and offers – as the Lonely Planet travel guide puts it – "some of Asia's most mind-bending landscapes", Pakistan just doesn't seem to be pulling in the tourists.

Tourist buses are a rare sight and even the intrepid backpacker brigade is thin on the ground. Hotels off the beaten track report gaping holes in their books. Those in the cities thrive almost solely on business trade.

That is a source of frustration for Mr Ehsan Pasha, managing director of the Pakistan Tourism Development Corporation (PTDC). "Look at Iran. They don't allow liquor, yet they have more arrivals than us. And the Maldives. They earned \$300m last year from tourism with a population of only 350,000," he says.

Last year, Pakistan – with a population of 130m – earned \$116m from its tourist industry, compared with a whopping \$3bn by India. Arrivals have been on a downward trend for the last three years, falling overall by 8 per cent in the 1995-96 period, with a damaging 24 per cent drop in visitors from the UK (Pakistan's largest source of tourists) in the same period. This year's outlook remains bleak.

What, then, could be the problem? One is that for those seeking a holiday on the subcontinent, India appears to be the obvious choice. Mr Pasha says that Pakistan attracts a mere 0.7 per cent of total tourist arrivals in south Asia, including Sri Lanka.

Another is that Pakistan's image as a safe destination has taken a battering in the last 10 years, due to ethnic violence in Karachi and upheaval in neighbouring Afghanistan.

A third deterrent is that Islamic law forbids the consumption of alcohol by the

predominantly Moslem population. That means all liquor – even the mildest beer – is taboo.

Foreigners can buy beer and a limited range of spirits made at the country's two breweries – survivors from British colonial days.

But the business of securing a bottle of beer involves cumbersome form-filling and the presentation of passports. Even then, liquor can only be consumed in the privacy of the hotel room.

The real damage this rule does to the tourist industry is, however, that it severely limits the ability of hotels and restaurants to offer a full range of dining services. That influences how far Pakistan can go with developing beach resorts, as Mr Pasha says the PTDC plans to do. He adds that the PTDC is considering proposals that would allow foreigners to pick up liquor licences on arrival in Pakistan.

But for Mr Ehsan Pasha, one of the few private entrepreneurs in the hotel business, alcohol is not the issue. Government neglect has damaged the industry. "The majority of tourists can get booze in hotels. I think the basic problem is they're (the ministry of tourism) just not tourist oriented."

He points to Dubai, which, despite being almost entirely covered in desert, has managed to develop a vibrant sports tourist industry. "They have dune buggies and ice rinks. Why can't that be developed here? It's a question of not having a tourist policy, or of having one but never seeing it implemented."

Mr Pasha aims to change that. Like many others in the current administration of prime minister, Mr Nawaz Sharif, he has been drafted in from the private sector and, two months into the job, is full of ideas.

"Before, tourism was not declared an industry that would be bringing in foreign exchange. There was no proper set up for promoting Pakistan in the right manner abroad," he says.

The PTDC is preparing an advertising campaign aimed at Japanese tourists interested in what he calls "mythical tours", focusing on Pakistan's religious and archaeological sites.

Work is also under way on Pakistan's first website, promoting the destination and featuring private sector tour operators. Tourists from Middle Eastern countries are also being targeted with specially tailored packages.

The ultimate aim is to build up awareness in time for "Visit Pakistan Year", set for 1999. By then, PTDC hopes tourism will be earning the country \$500m, rising to \$1bn by 2000.

As with much in Pakistan, translating plans into reality will be difficult. First, the PTDC still needs to secure about \$600,000 in funding for "Visit Pakistan Year". Half of that is supposed to come from the government, but cash-strapped Islamabad has other priorities.

Private sector involvement in the industry is still limited. Mr Pasha insists that this will also change, and that the PTDC aims to hire off some of its land and some hotels in its large network.

There is also a lack of top quality hotels outside the main cities that could support the kind of five-star tourism that would bring in substantial revenues.

One exception is the magnificent Khan Club in Peshawar. This eight-room "boutique" hotel has been exquisitely converted from an old "haveli" dwelling and offers special catered tours up the Khyber Pass by train five times a year.

There is plenty of scope for mountaineers, trekkers and lovers of nature. Pakistan has 25 peaks over 8,000 feet, including K2, second only to Mount Everest. It even has the highest pole ground in the world.

"In two years you'll see big changes in tourism," says Mr Pasha. "We have the products. We just have to create the awareness."

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ARTS

Man behind the Jewish state

Jackie Wullschlager on a centennial exhibition to mark the First Zionist Congress in Basle

Asked in a Cambridge common room about his roots, the Marxist historian Isaac Deutscher replied scornfully: "These have roots. Jews have legs." The roots of Zionism, though, were precisely located by Theodor Herzl, the man who inspired the creation of modern Israel. "In Basle I founded the Jewish state", he wrote in his diary after the First Zionist Congress in August 1897. Through July and August this year, Basle is celebrating with a centennial festival. At the Three Kings Hotel Israeli specialities are on the menu. Chic stores are selling Israeli products. The Klezmer band Epstein Brothers are in town, there are concerts of Yiddish songs, plays about Herzl and Dreyfus, tours of "Jewish Basle", and an exhibition at the Museum of Art about Herzl and the cultural background of Zionism.

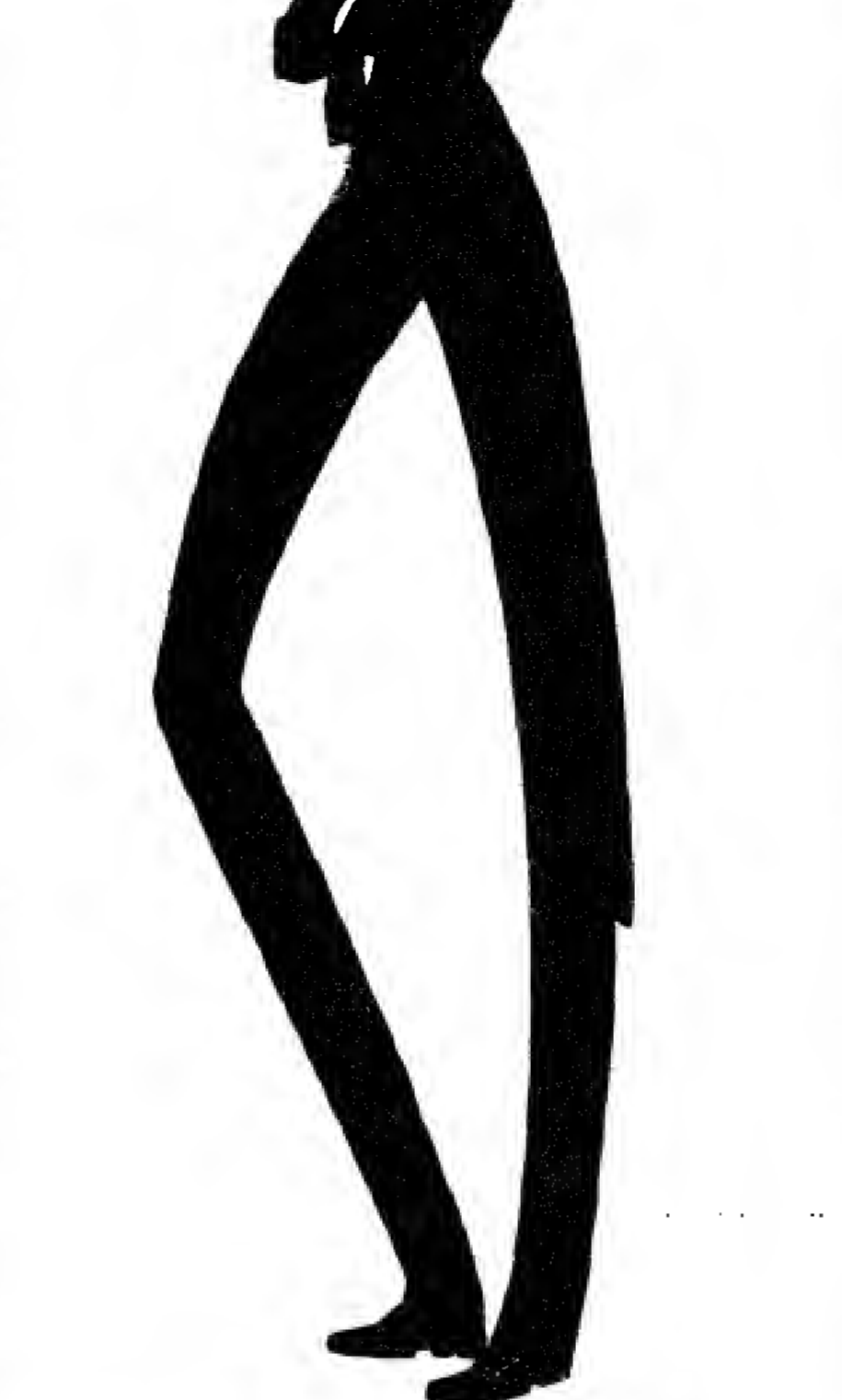
Sweeping into the town on the railway route Herzl took in 1897, from Vienna, then rife with anti-Semitism, and Munich, which refused to hold the Congress, you can see why Basle was such an attractive site. Miles from the sea and often shut in by mountains, so many south German, Swiss and Austrian cities have a closed, claustrophobic feel; but Basle, multi-lingual, meeting place of three countries, with the broad Rhine winding through and the fringes of the Black Forest beyond, is open, cosmopolitan, modern. This spirit is clear in the Kunsthaus's showpiece exhibition on the First Zionist Congress, which launched the festival. Forget whispering voices, sepia photographs and curators guarding priceless antiques: this is a 1990s, touchy-feely show where American project artists Clegg and Guttmann have created a series of environments allowing us to experience life inside the world Herzl came from, and so challenging many of our assumptions about the history of Zionism.

In the bourgeois, eastern European parlour, the sort where Herzl was born in Tobacco Street, Pest in 1860, you can sink into a sofa, read books and letters, and imagine the horror of a conventional Jewish lawyer, say, getting home one night and browsing through Herzl's tract, *The Jewish State*. "Just before the turn of the century it began finally to sink in", recalled Stefan Zweig, "that this elegant, noble *causeur* had suddenly written an abstruse tract which demanded no more and no less than that the Jews should leave their houses and villas in the Ringstrasse as well as their businesses and law practices, in short that they should pack their bags, move to Palestine and found a nation there".

Settings like the synagogue stand out because in the main Jews of Herzl's background were emancipated, uninterested in religion, integrated into western culture. Jewish contemporaries included Arthur Schnitzler, Freud and Mahler, who all lived on the same Viennese street as Herzl round the corner was the Café Scheidl, with its reading rooms and card tables, where you could chat all day for the price of a "small brown".

It is reconstructed here, and visitors can leaf through contemporary newspapers such as the highbrow *Neue Freie Presse*, which made Herzl its Paris correspondent and so changed the course of history.

While he was in Paris, the Dreyfus case erupted, dividing France over whether Dreyfus was guilty, or an innocent officer convicted of treason because he was Jewish. The outcome convinced Herzl that assimilation was not the answer to "the Jewish question", and he related the rising anti-Semitism across Germany, France and the Austro-Hungarian empire precisely to the Jewish success in adapting to secular 19th-century European culture. And so he crossed a class barrier, identifying no longer with his own assimilated background but with the downtrodden ghettoised east European Jews whom he would save, by educating them and leading them to a new



The 'greatest Jew alive': a contemporary caricature of Theodor Herzl

life in a new country. You can sit on the benches at the mock Congress here and listen to tapes of early debates between Zionists across the world whom Herzl brought together. There was frenzied excitement, but also much to threaten the Jewish status quo - those with most to lose, such as the Rothschilds, would have nothing to do with Herzl; Baron Hirsch told him he was fantastical. The Congress emphasises Herzl as a political thinker: he was much more captivated by the 19th-century idea of national states than by the religious traditions of Judaism, and he was as happy to found the Jewish state in East Africa or South America. It was after he realised that the poor, religious Jews, whom he was harnessing to his political bandwagon, would only come to the holy land of religious teaching, that Herzl was convinced it had to be Palestine.

What this exhibition makes clear above all is the specifically 19th-century, Eurocentric basis of Zionism. Like socialism and communism, it was an idea which appealed to the socially compassionate and assumed messianic dimensions for fin-de-siècle intellectuals. Herzl envisaged Jewish Palestine as a copycat version of Viennese café culture, the difference being that "we will be permitted to grow downward noses, black and red beards and crooked legs without being scorned". His colleague Max Nordau is said to have remarked in surprise: "In Palestine there are, it seems, Arabs! I didn't know this! We are therefore committing an injustice". Amos Elon has described this view as a "mixture of naïveté, wishful thinking, patriarchal benevolence and ignorance". Whether this is a charitable or an accurate assessment, the results of this blindness continue to haunt modern Palestinians and Israelis.

Herzl died in 1904, and although subsequent events in Europe proved his predictions about the fate of complacently assimilated Jews tragically right, it is hard to believe he would have approved Israeli terrorism in the 1940s and beyond. This is an important exhibition in showing sympathetically not just the roots of Zionism but the fatal Eurocentric flaw within it. It is to be hoped that in the conferences and symposia in Basle during the next two months that the needs of all communities in Israel will be discussed as openly and sympathetically. At the Kunsthaus, Basle, Tel. 061 272 48 33, until September 7.

The Proms/Richard Fairman

Young lion of the keyboard

and make music. His opening Haydn Piano Sonata, No.52 in E flat, judged the scale of the hall to perfection, keeping the classical framework in place, but projecting the music vividly with wit and rhythmic brio. Although I cannot speak for people sitting further away, the quiet singing tone he brought to Liszt's famous *Lebestraum* and two Chopin Nocturnes carried beautifully to my seat at the back of the stalls. In his main work, Chopin's Third

Sonata, Kissin showed himself a master of extremes, from breathtaking stillness at one moment to white-hot technical brilliance the next without always a great deal in between, which may be a sign of immaturity. But as a piece of piano-playing, it was remarkable. Then a generous series of encores followed - and all in a superbly fast and furious. The music catapulted headlong with an intensity that was quite thrilling, but I do wonder whether orchestras

in Beethoven's day could possibly have played such a difficult score as fast as this. That, of course, is no problem for the Orchestre Révolutionnaire et Romantique, Gardiner's crack band. Even the few rough edges added to the raw excitement of the performance. Bryn Terfel launched the vocal finale with roof-raising panache, the rest of the quartet comprising Luba Orgonasova, Bernarda Fink and Gordon Gietz.

The Monteverdi Choir was simply a marvel, as ever. Their singing of a selection of Schubert choral works before the Beethoven was professionalism, 1997-style, at its peak.

Edinburgh Festival

Boulez's stamp of approval

There was a time when an Edinburgh festival director would not dream of handing the opening night to a youth orchestra, still less to a programme shared with three other festivals. But Sunday's concert by the Gustav Mahler Jugendorchester under Pierre Boulez allowed us to genuflect before one of the great musical minds of our time, and that was its sole justification.

The programme consisted of early 20th century masterpieces, each of them a Boulez party-piece. The exception was his own *Notations IV* - and here alone the concert merited its premier rating. Perhaps the presence of the composer on the podium gave it added lift - or the fact that the music is such fun. These quizzically abrupt studies, originally for piano and now scored for gargantuan forces, were dispatched with punch and rhythmic verve. The Usber Hall's capacity audience stamped its feet in approval - a gauge of bow musical taste has changed. So Boulez is a popular composer after all...

The rest of the programme showed us where he found the technical savoir-faire to orchestrate *Notations*. Ravel's *Le Tombeau de Couperin* was cool, precise, prismatic; one longed for some shape to the phrasing, which the woodwind principals, perhaps overawed by Boulez's presence, were reluctant to provide.

In Bartók's *Four Pieces*, Boulez dissected the textures with surgical skill. Again, the playing had more accuracy than personality. After the interval, *Le Sacre du printemps* suffered from lack

of entries and lightweight brass, and there was a fatal slackening of tension in Part 2. However much we admire these young musicians for their ambition and proud ensemble, such qualities are no substitute for the seasoned musicianship a professional orchestra can bring to what are, after all, among the most demanding scores in the repertory.

The programme which should have opened the festival was last night's Tippett tribute by the Royal Scottish National Orchestra and Chorus, which I had to miss in favour of the new Mark Morris production of *Plaisir*. But I did get to the Queen's Hall morning recital by American counter-tenor David Daniels. His introductory songs, Vaughan Williams' "Orpheus with his lute", set the tone. It was not just Daniels' versatility which impressed, ranging from little-known Cesti to the winsome "Waterbird" by Richard Hundley (b.1931); nor his technical security, the leaps of "Vivi, tiranno" from Handel's *Rodelinda* tackled with the same assurance as the dreamy sostenuto of a charming group of Gounod, nor even his natural command of an audience. No, Daniels is that rare breed - a counter-tenor who sings from the head but communicates from the heart. In mood and artistry, his accompanist Martin Katz matched him all the way.

Andrew Clark

Pierre Boulez conducts the Gustav Mahler Jugendorchester at the Royal Albert Hall tonight, Salzburg on Thursday and Lucerne on Saturday.

Fringe grace notes

If the skill, intelligence and delight of my first show on this year's Edinburgh Fringe can be equalled on only two more occasions, 1997 will have been a good year. Sarah Woods' *Grace* (seen in London last autumn), a "fast-moving comedy for one woman and two men in cupboards", is as consummate as ever, having only gained in speed under Theresa Heskine's direction to fit an abbreviated Edinburgh slot.

Victoria Worsley's protagonist, by turns comically and poignantly aware of the ticking of her biological cuckoo-clock, scuttles around her room conjuring up a variety of fantasy figures ranging from Jane Austen's Mr. Darcy and a cross-dressing Mark Antony to a gibbering -DIY expert and two centaurs. As her supporting hunkies pop in and out of the ingenious set, Worsley's *Grace* sings a kitsch nightclub number, gets sawn in half and stapled to a door. A joy.

In another three-hander, *Jump To Our Heaven*, Gill Adams builds a powerful atmosphere of latent psychosis. Dealing with the prison escape and disappearance of Kray benchmark Frankie "The Mad Axe Man" Mitchell, Adams suggests the men-

ace of which the childishly innocent Frank (Josh Richards) is capable, holed up with a minder and a call-girl. The constant fear that things might at any moment go bloodily wrong is finally resolved at Frank's own expense; director William Kerley ensures that every instant feels like the calm before the storm.

Bob Kingdom's *Elsa Edgar* also hinges upon a clash of personalities. In this case between American social columnist Elsa Maxwell and FBI director J. Edgar Hoover, the twist being that Kingdom plays both roles, sometimes simultaneously. In truth, the play loses its footing a little when Kingdom attempts to bring the figures into conflict rather than giving one or other of them free rein, but his characterisation is remarkable.

It can be grimly reassuring to find that one's prejudices about a performer are borne out. The self-aggrandising, sophomore doggerel paraded in *Vice And Verse: The Poetry Of Murray Lachlan Young* is a case in point.

Ian Shuttleworth

Grace is at the Pleasance; other shows at Stella Artois Assembly. All shows run until August 30.

INTERNATIONAL ARTS GUIDE

EDINBURGH

Edinburgh International Festival
Tel: 44-171-473 2000

CONCERTS

● Bach Organ Works: organist Peter Hurford plays a series of 15 concertos which should show off this repertory to considerable effect. The performances are Tuesdays to Saturdays at 5.45pm. On Thursdays he is joined by singers of the Duredin Consort, at Greyfriars Kirk; Aug 12-30.
● Archiv Records: as part of the Festival's 50th birthday celebrations, the Music Performance Research Centre at the Barbican Library has loaned a selection of archive recordings of concerts given during the early years of the Festival, which can be heard Mondays to Saturdays from 11 to 30 Aug. Featured artists include Maria Callas on 23rd, Joan Sutherland on 26th and Leonard Bernstein conducting the LSO on 28th. Tickets cost £2, most recordings last 45 minutes and begin at

2.15pm (1.30 on Sat); at the Queen's Hall

DANCE

● Fish: by the Bangarra Dance Theatre. UK debut for the Australian company and world premiere of a work which tells Australia's indigenous population drawing on ancient myths and sacred dreamings; at the King's Theatre; Aug 12, 13, 14.
● Thorpe: new works by Twyla Tharp: *Sweet Fields*, danced to Shaker hymns and other American choral music, "66", and *Heroes*, with music by Philip Glass; at the Edinburgh Playhouse; Aug 12, 13

OPERA

● Macbeth: by Giuseppe Verdi (original 1847 version): concert performance given by the Chorus and Orchestra of the Royal Opera House, conducted by Edward Downes. Anthony Michaels-Moore and Georgina Lukács are Macbeth and Lady Macbeth, replaced by Bruno Caproni and Christine Bunning on 16th. Sung in Italian with English super-titles; at the Edinburgh Festival Theatre; Aug 12, 15, 16.
● Placée: by Jean-Philippe Rameau: Directed and choreographed by Mark Morris; this production - sung in French, with English super-titles - stars tenor Jean-Paul Fouchécourt in the title role, with Diana Montague and François la Roux as Junon and Jupiter. With the Mark Morris Dance Group, Royal Opera Chorus and Orchestra of the Royal Opera House. Conducted

by Nicholas McGegan; at the Edinburgh Festival Theatre; Aug 13, 14

EXHIBITIONS

National Gallery of Scotland
Tel: 44-131-624 6200
The Portrait of a Lady: Sargent and Lady Agnew. "Lady Agnew of Lochnear" by John Singer Sargent (1856-1925) is the centrepiece of this exhibition which includes more than 20 portraits by Sargent himself as well as works by his contemporaries and memorabilia from his studio; to Oct 19

LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212

● BBC Symphony Orchestra: conducted by Andrew Davis in works by George Benjamin, Bartók and Berlioz. With violin soloist Viktoria Mullova; Aug 13
● John Lubbock conducts the Orchestra of St John's, Smith Square in premieres of works by Lou Harrison and Stephen Montague, Barber's *Adagio* for String and Tabuh-tabuhan by Colin McPhee. With pianists Rolf Hind and Thomas Adès; Aug 12
● Pierre Boulez conducts the Gustav Mahler Youth Orchestra in a programme of twentieth-century classics by Ravel, Bartók and Stravinsky - and his own *Notations I-IV*; Aug 12

MUNICH

EXHIBITION
Kunsttheater der Hypo-Kulturstiftung

Tel: 49-89-224412
Markus Lüpertz (b. 1941), one of Germany's leading artists, is the subject of a retrospective which includes paintings, drawings and sculptures from throughout his career; to Sep 14

PARIS

EXHIBITIONS
Jeu de Paume
Tel: 33-1-4703 1250
César: major retrospective of one of the most important French sculptors of the 20th century. Tracing the different approaches and materials with which he worked, the exhibition includes almost 500 objects; to Oct 19

PESARO

Rossini Opera Festival
Tel: 39-721-33184
OPERA
Il Barbiere di Siviglia: in a staging by Luigi Squarzina. With the Orchestre of Tuscany, conducted by Yves Abel; at the Teatro Rossini; Aug 12, 16

SALZBURG

OPERA
Salzburg Festival
Tel: 43-662-844501
● Boris Godunov: by Mossorgski. Conducted by Valeri Gergiev in a staging by Herbert Wernicke. Samuel Ramey sings the title role. Cast also includes Philip Langridge. With the Vienna Philharmonic, the Konzertvereinigung Wiener Staatsopernchor and the

Slowakischer Philharmonischer Chor Bratislava; at the Grosses Festspielhaus; Aug 12
● Lucio Silla: by Mozart. Conducted by Sylvain Cambreling and directed by Peter Mussbach with designs by Robert Longo. Cast includes David Kuebler and Susan Graham. With the Camerata Academica Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Kleines Festspielhaus; Aug 12, 15

THEATRE

Salzburg Festival
Tel: 43-662-844501
● Der Alpenkönig und der Menschenfeind: by Ferdinand Raimund. Revival of Peter Stein's production. With music by Wenzel Müller; at the Landestheater; Aug 13, 14, 15
● Libussa: by Franz Grillparzer. New production directed by Peter Stein, with sets by Moidele Bickel; at the Perner-Insel; Aug 12

SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-966 5900
● La Traviata: Linda Brovsky directs this new production of Verdi's opera, set in the Parisian demimonde. Christopher Larkin conducts; Aug 12, 18

SCHLESWIG-HOLSTEIN

CONCERTS
Music Festival
Tel: 49-431-567080

Oslo Philharmonic: conducted by Mariss Jansons in works by Beethoven and Bruckner. With piano soloist Leif Ova Andanes; at the Schloß, Kiel; Aug 12

TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-831 2000
● Boston Symphony Orchestra: conducted by Kent Nagano in works by Debussy, Tchaikovsky and Stravinsky. With violin soloist Gha-Liang Lin; the Shed; Aug 15
● Boston Symphony Orchestra: conducted by Hans Graf in works by Bach, Handel and Vivaldi. With mezzo-soprano Lorraine Hunt; the Shed; Aug 16

VERONA

OPERA
Arena di Verona
Tel: 39-45-800 5151
● Aida: by Verdi. Conducted by Nello Santi in a staging by Gianfranco de Bosio. Casts vary; on Aug 15 Maria Guleghina sings the title role
● Macbeth: by Verdi. New production designed by Pier Luigi Pizzi, with choreography by Gheorghe Lancu. Conducted by John Neschling; Aug 13

WASHINGTON

OPERA
Wolf Trap Tel: 1-703-218 6500
The Marriage of Figaro: the Wolf Trap Opera Company performs Mozart's opera; in Italian, with English super-titles; Aug 14, 16

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Martin Wolf

Over the counter

Drugs should be decriminalised, and the right policy should go beyond merely making cannabis legal

A five-year-old boy is gunned down in broad daylight in Bolton. The murder is, apparently, drugs-related. In the wake of his death, Labour MPs have called for a proper debate in the UK about the merits of legalising drugs. They are right to do so. As this column argued on July 29, more damage is done by the current policy of keeping drugs illegal than would be done by decriminalising them. But even if you accept the argument that drugs should be legalised, it still raises the question of exactly how best to do it.

Putting a controversial policy idea into practice tends to be complex – legalising drugs would be no exception. But it is disingenuous of opponents of legalisation to accuse proponents of failing to spell out all the details of decriminalisation. It is not difficult to put forward alternatives superior to prohibition. The difficulty is rather that there are so many of them.

Mr James Ostrowski, a US lawyer who has specialised in drug prohibition, has argued that proposals for change need to answer the following questions: Which drugs should be legalised? Should there be restrictions on potency? Should there be restrictions on the age at which drugs may be obtained? Should sale be restricted to addicts? Where should drugs be sold? Should suppliers be free to charge the prices they want? And should suppliers be free to advertise?

A relatively cautious answer to these questions would be to legalise cannabis alone, while making other consciousness-altering drugs available only on prescription. Possession of small quantities of drugs for personal use would be decriminalised, but production and distribution of all drugs, cannabis apart, would remain illegal. Nec-

die exchanges would also be organised, in order to slow the spread of infections.

Such a policy would draw a clear distinction between soft and hard drugs. It would reduce the secondary health effects of prohibition. And it would draw a line between consumers and traffickers. But it would not eliminate the black market.

For this reason, it would be desirable to adopt a more radical approach, similar to that in use for alcohol today. All drugs would then be legalised. There would be no restrictions on potency. Sales would only be to adults, but would not be restricted to registered addicts. Drugs would be sold at licensed outlets. Suppliers would be free to charge the prices they want, but sales would be taxed, though not enough to raise prices to today's astronomical levels for prohibited drugs. Advertising would have to be regulated, as increasingly with tobacco.

The first objection to such proposals is that they would not eliminate the black market for under-age use. The products would at least become of known quality and potency. It would also be quite a small market. According to Mr Ostrowski, in the US in the late 1980s, cocaine users under 18 years old comprised only

about 7 per cent of the total cocaine market, while 18-20 year olds comprised another 16 per cent. A market that size would hardly be worth the drug gangsters' while.

A second objection to the proposals could be raised by asking how product liability would work. The answer is that this should be no more difficult than for alcohol, which can also create harmful effects, from cirrhosis of the liver to violence. Tobacco producers have also fallen into difficulty, but largely because they concealed information about the effects of their products.

This problem can be avoided by insisting that research into the effects of drug abuse and the dissemination of results become the responsibility of official bodies. The taxation of drugs could defray the costs of research and dissemination, as well as treatment of abusers. Relevant information would be made available at the point of sale, but the liability of suppliers would be limited to the purity and potency of the product. Beyond this, the principle of caveat emptor would apply.

A third objection concerns the potential effects on particular users. Pregnant women would be advised of the dangers, as they are with tobacco and alcohol. In most cases a mother's concern for the health of her child will be sufficient to prevent abuse. Where it is not, drug legalisation is unlikely to make things worse than they now are, particularly since one of the saddest consequences of prohibition is the transmission of HIV/Aids to the foetus by users of infected needles. The laws on driving vehicles, operating machinery or undertaking similar tasks under the influence of drugs could – and should – be harsh. In addition, employers could add their own penalties.

A fourth objection is that drug legalisation, even though it would push most of the gangsters out of drugs, would not push them out of other businesses. This point, stressed by the United Nations in its recent World Drug Report, is true, but irrelevant. Legalising drugs would remove a vast source of revenue from criminal organisations, which make an estimated \$400bn a year from drugs. Gangsters would also find themselves operating in a different context – particularly if prostitution and gambling were legalised as well. If such reforms were implemented, gangsters could no longer engage in selling to willing buyers, an activity that is so difficult to suppress.

Gangsters would remain, of course, but their other activities, such as protection rackets, are quite different since buyers do not want what they are being sold and are far more likely to co-operate with an honest police force to suppress it. Such honesty is itself far more probable following a diminution of drug-induced corruption.

In short, it would be perfectly possible to set up a workable regime for full drug legalisation that meets all the obvious objections and that would eliminate the many and vast costs of today's criminalisation. What is needed is for mature societies to recognise that some vices must be tolerated, because the alternative is still worse.

James Ostrowski, Answering the Critics of Drug Legalization, Notre Dame Journal of Law, Ethics & Public Policy, Vol. 5, No. 3, 1991.

This is the last in a three-part series on drugs. The first column, on the economics of the drugs business, appeared on July 22 and the second, on the case for drugs legalisation, on July 29.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 1TA

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ECB will be accountable and in many ways open to scrutiny

From Mr Nicholas Crosby,

Sir, David Mackia's argument ("Beyond independence", August 8) on the European Central Bank is flawed.

He cites only one piece of evidence to support the lack of ECB accountability: "The Maastricht Treaty expressly forbids the publication of the minutes of the meetings of the ECB's Governing Council."

This is wrong. The treaty is more subtle. It does not compel the Council to publish its deliberations, but "The Governing Council may decide to make the outcome of its deliberations public." (Article 10.4. of the Protocol)

Mackia also omits to mention the other areas in which the ECB will be open to scrutiny.

● The president of the Council of Ministers and a member of the Commission may participate in Governing Council meetings and may submit motions for deliberation by the Council.

● The ECB must publish an annual report on previous

and current year's activities and monetary policy.

● The president of the ECB must present this report to the Council and the parliament (which may debate it).

● The president and other members of the executive board may be surrounded by the relevant committees of the European parliament.

● There will be, at minimum, quarterly reports on the activities of the European System of Central Banks.

● A weekly consolidated financial statement of the ECB must be published.

The ECB will be neither a clone of the Bundesbank nor of the Federal Reserve. It will, however, be an accountable institution.

Nicholas Crosby,

Flat B, 15 Avenue Road, London W14 8RP, UK

From Prof Joseph Bigio,

Sir, May I please add my endorsement to David Mackia's Personal View, "Beyond independence", emphasising, in particular, the point that

he made regarding the political accountability of the US Federal Reserve.

As I see it, it is not merely a question of recognising that monetary policy can be too tight or too loose. It is quintessentially necessary that the mandate for the new European Central Bank should be amended to give it two tasks, not one. The terms of reference must include consideration of maximum feasible employment along with that of curbing inflation and thereby maintaining currency stability.

All other arguments about the desirability of a common currency for Europe are nothing but red herrings to distract attention from the bad design of the mandate for the new Central European Bank. The Council of Ministers should be asked to ensure the redesign of the mandate.

Joseph Bigio, Rua Julio Diniz, Lote 2, Murches, 2750 Cascais, Portugal

Economic nationalism strong in Korea

From Prof Richard Rose,

Sir, John Burton is correct, in terms of economics, to say that Korea needs to open up to foreign investors to benefit fully from a market economy ("Korea's ray of hope", August 8). But the political arguments run the other way.

Our New Korea Barometer, a survey funded by the Economic and Social Research Council, asked whether Koreans approved of foreigners buying small

enterprises or big factories and small or large plots of land. Three-quarters were against foreigners buying businesses; seven-eighths against them buying land. Only 18 per cent were open to foreign investment.

Internationally, traditional French and German ideas of a national economy are more popular than the Anglo-American free trade ideal. Economic nationalism is surfacing in debates about power over decisions in the

proposed European economic and monetary union; British prime ministers pledge to fight for Britain's interests in Brussels. No doubt the Scottish National Party will make a similar claim for Scotland.

Richard Rose, Centre for the Study of Public Policy, University of Strathclyde, Livingstone Tower, 26 Richmond Street, Glasgow G1 1XH, UK

Irony of Emu and a German rate rise

From Mr Julian Jessop,

Sir, Wolfgang Münchau's article "German turn-sign on road to Emu" (July 29) illustrated another irony of monetary union.

Without Emu, I doubt we would be speculating about a weaker D-Mark pushing up German rates. The economic recovery may be firm enough to weather a tightening, but it is hardly a boom.

The record numbers of unemployed could be forgiven for wondering if there is any recovery at all. Yet the soundest central bank is now forced to consider an early rate rise because of a project that is supposed to improve policy-making across Europe.

It will be fascinating to see how this plays with the good burghers of Bavaria. But

some might actually welcome an early rate rise to shake the Emu tree and see who falls out. If higher rates make a "soft Emu" less likely, perhaps this will be the lesser of two evils.

Julian Jessop, European economist, Nikko Europe, 55 Victoria Street, London SW1H 0EU, UK

Europe's multilingual graduates

From Ms Jelena Radonjic,

Sir, Richard Donkin is quite right (Recruitment: "Language skills", August 8) to say that language skills are increasingly prized by company recruiters.

Worldwide, international employers are seeking young managers and business graduates with technical qualifications – especially in engineering and information technology – who are also fluent in two or more languages.

Right now, the best place to look for such multilingual, technical graduates is in the countries of central and eastern Europe. A culture and an educational system that has always valued technical knowledge and achievement has produced a large pool of graduates who are not only strong in engineering, science and technology, most of them speak excellent English and many speak other languages as well.

But most British and indeed European companies in general remain reluctant to recruit internationally, preferring local, national candidates.

This is not an issue for large organisations only. As technology makes it possible for much smaller organisations to compete globally, they too need the same blend of technical, linguistic and cultural skills that make up the effective international manager. Think global – recruit global.

Jelena Radonjic, associate managing director, DICE Europe, 125 New Bond Street, London W1Y 9AF, UK

Opera Buffa proves a draw

From Mr Nicolas Tucker,

Sir, I see from your illustration of the review of György Ligeti's *Le Grand Macabre* ("A po-faced post-nuclear pantomime", August 8) that Opera Buffa is proving popular in Salzburg.

Nicolas Tucker, 24 Hasket Street, London SW3 2LG, UK

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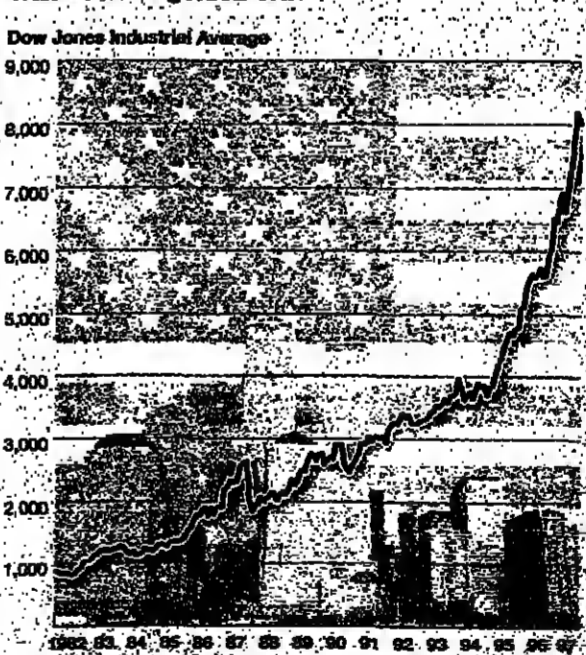
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UNITED AIRLINES

A fabulous fifteen years

Richard Lambert looks back on the greatest bull run in the US's recent history

Wall Street's golden era?



around 20 per cent. The result has been what must rate as one of the biggest accruals of private wealth in history. By coincidence, Forbes magazine started to publish its list of the 400 richest Americans in 1982. The poorest member of the latest list has a net worth, adjusted for inflation, which is about three times greater than his equivalent 15 years ago. Microsoft has grown from next to nothing to a company that is now valued at more than \$167bn, making it the second-most valuable company in the US.

To an outsider, though, the strange thing is that a level of confidence which appears close to hubris among business people is not reflected in the way that

the stock market is discussed. Share prices have risen sharply in the past few months, but so has the general level of anxiety about the market.

Most of the popular business magazines have been expressing varying degrees of caution – a column in Sunday's New York Times asked: "After 15 years, is it time to sell?" (The answer was probably not, but advised you to keep on your toes.)

Pundits spend at least as much time looking for what might trigger a decline as for reasons for further gains. The latest favourite is that future profits growth will be cramped as labour demands a higher share of national income. The current strike

at UPS is cited as evidence. Yet inflation remains subdued, and there is no strong evidence of a change in labour market conditions.

Fifteen years ago, it was clear even to a newcomer that business conditions were shifting. Short-term interest rates had been falling sharply for some time, and the economy was visibly weakening. The bell rang loud and clear within a few days of the market low, when Mr Henry Kaufman, the Wall Street economist who had built a strong reputation as an accurate prophet of gloom, changed his position on interest rates and decided that they were more likely to go down than up.

The result was a buying panic, which took the Dow up by what was then a record 3831 points on a single day.

Today, there are no clear signs of such a major shift in trend. It's true that after 15 years of growth, stock market valuations are stretched to what by past standards have generally been unsustainable levels.

Corrections are inevitable. One may be happening now. But bull markets don't normally end when people expect them to. As long as so many people remain anxious, the party looks set to continue.

And how have I done out of the great surge in share prices? Financial journalists avoid embarrassment by keeping out of the market. But when I left New York last time, colleagues kindly presented me with framed certificates of one share each in two companies that I had enjoyed writing about. One of them, IBM, rivals General Motors for the title of worst-performing constituent of the Dow Jones Industrial Average over the last 15 years.

The other, International Harvester, has achieved even more distinction. Since out of the 'Dogs' and now traded in the shape of Navistar, its average annual return has been a negative 9 per cent.

For me, at least, the best is yet to come.

مكتبة الركن

COMMENT & ANALYSIS

FINANCIAL TIMES

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Tuesday August 12 1997

Desperately seeking CEOs

Apple, AT&T, Delta, Quaker Oats - the list of important US companies in need of a talented new chief executive seems to grow longer by the week. Demand for outstrips supply, as evidenced by the way that Mr George Fisher's name came up on wish-lists for both Apple and AT&T even though he still has things to prove in his efforts to turn round Eastman Kodak.

And it is not just troubled companies that are looking for outsiders to run the show. According to *Business Week*, nearly a third of the top 1,000 US companies are now led by newcomers, up from under one-tenth 30 years ago - and the proportion is rising. What is going on here - and is the trend healthy?

There are several possible explanations. One is the death of corporate man - the lifetime commitment of workers to a single employer, which used to lead those with enough energy and talent on a predictable rise to the top. This in turn partly reflects the growing pace of technological change, which has devalued established skills, and a new willingness by companies to scythe down layers of management in order to cut costs and speed decision processes. As a result, there are fewer qualified people to choose from among the home side in order to plug gaps at the top.

At the same time, the selection process has changed. In the past, choosing a new boss was largely the responsibility of the existing incumbent. Now it tends to be that of the board as a whole, which in the US means independent, non-executive directors. They may have less commitment to, and knowledge of, inside candidates for the top slot than would be the case with executive directors. And they may be more willing as a result to listen to headhunters.

Does this lead to better run businesses? The evidence suggests that if a company is in trouble, an outsider with a mandate for change is most likely to do what is necessary. The impact of Mr Louis Gerstner on IBM is an obvious example. But if a company needs strong direction rather than a stick of dynamite, it is more likely to find what it needs from within its own ranks - people who know the business, and its markets.

While Apple and AT&T have been making the headlines, General Electric has been quietly moving to get the right person in place when Mr Jack Welch retires at the end of 2000. Last week, it reshuffled its top ranks in a way that will give likely runners relevant experience, and the chance to show their mettle. Which approach is likely to pay dividends over the long term? On the record of these three companies, there is no contest.

Global dialling

In proposing to limit payments from US companies to overseas carriers for international phone calls, the Federal Communications Commission has chosen a heavy-handed way to bring about price reductions. But the benefits of a more efficient market for international calls will be felt across the world.

Payments between telecom operators are determined by bilaterally agreed accounting rates, with net payments made to the partner receiving more incoming traffic. However, the charge for completing calls can be 10 times the underlying cost. Consensus has been reached under the auspices of the International Telecommunications Union and the OECD that charges are too high. But little further progress has been made during five years of talks. The US, which generates one quarter of all international calls and is a major net contributor, has grown impatient.

The FCC is right to say phone charges should reflect cost. Although technological advances have brought costs tumbling, international call completion charges remain stubbornly high. New fibre optic technology means that international calls are only fractionally more expensive than domestic long-distance calls. However, international calls in the US cost on average 88 cents per minute, against 13 cents for domestic long-distance.

The highest accounting rates are charged in developing countries, which argue that they need to fund investment in their domestic telecom systems. As important, the net payment for completing calls provides a useful source of hard currency.

The FCC order, which it says will bring an 80 per cent reduction in the average cost of an international call, goes some way towards meeting these points. It makes provision for higher completion charges in poorer countries, with special treatment for those with chronically underdeveloped telecommunications infrastructure. It also allows a five-year transition period for adjustment in poorer countries.

Cheaper calls are already on the way, through call-back services and fledgling internet-based services. In that sense, while multilateral agreement on accounting rates would be preferable, US unilateral action will provide a welcome spur. Indeed, the FCC says it will stand down its order if a multilateral agreement can be found, perhaps through the ITU.

Telecommunications are the nervous system of the global economy. Cheaper calls will encourage international trade and development. The only parties that will not share the benefits are inefficient national telecom monopolies.

Greenwars

It takes a brave man to jump into the north Atlantic during a storm and swim around in front of an oncoming vessel. If this were part of a genuinely point-less exploit, such as canoeing the wrong way round Cape Horn, it might be accounted heroic.

But the warriors of Greenpeace have a cause, which merely makes them look silly. They want to stop oil production in the deep waters west of the Shetland Isles. This hardly has the emotional resonance of earlier campaigns, such as saving the whale. And intellectually, it is risible.

Nevertheless, Greenpeace can prove much worse than a nuisance to oil companies, as Royal Dutch/Shell discovered two years ago when it was forced into a humiliating retreat over its plan to sink the Brent Spar oil platform in the Atlantic. In the present case, the protesters claim glibly that the world already has more oil available than it can use without altering the planet's climate; so the oil companies should turn to developing solar power instead.

No doubt global warming may prove a serious danger, even though there is a confusion of evidence about the extent of climatic change and its causes. But the remedy should be to curb demand by taxation, substitution and efficiency measures. By contrast, choking off supplies would, if successful, push the world towards another energy crisis with all the miseries of unemployment and inflation that followed in the 1970s.

As for exploiting solar energy, that might indeed help to reduce the consumption of fossil fuel. But eco-activists often show the feeblest grasp of proportion. For example, the British Petroleum field at Foinaven, which Greenpeace was trying to disrupt last weekend, will produce only about 0.5 per cent of the UK's annual oil output. Yet it contains the same amount of energy as about 30m solar panels would produce in 100 years. And one large oil-fired electricity turbine produces the same power as about 1,000 windmills with a wing-span as wide as the dome of St Paul's cathedral - when the wind blows.

Wind and solar power installations are expensive. If they are built on a scale large enough to be useful, they can be ugly and annoying. Against such comparisons, Greenpeace's claims that deep sea oil exploration is unfair to fish sound dotty, to say the least.

Despite its superficial arguments and its populist stunts, the organisation has in the past drawn attention to some serious abuses of the environment. This is not one of them. The oil companies should be left to get on with valuable work in the deep ocean. And the protesters should go off to make a splash in shallower waters for the rest of the silly season.

Imperfect harmony

George Graham, William Hall and Christopher Adams look at the \$36bn merger of Credit Suisse and Winterthur

Ever since Mr Lukas Mühlemann took over as chief executive of Credit Suisse Group at the start of this year, the stock market has been waiting for him to make a move.

Given his background at Swiss Re (where he was chief executive), insurance seemed the obvious area of his interest and Winterthur, with which Credit Suisse has close ties, the obvious target. Mr Mühlemann, however, said there was no need for closer ties. "You do not need to buy a cow if all you want is a glass of milk," he quipped.

Yesterday, Mr Mühlemann bought the cow. In announcing a Sfr54bn (\$36bn) merger of Credit Suisse and Winterthur, he is creating the world's third biggest asset manager, with Sfr700bn under management. With 15m customers and a market capitalisation of more than Sfr500bn the new Credit Suisse group will be one of Europe's top half-dozen financial services companies.

Why has Mr Mühlemann changed his mind after less than a year in charge? And does the merger of the two companies tell you something about the changing nature of the banking and insurance businesses?

On the face of it, those businesses are indeed being transformed - which is why Mr Mühlemann has abandoned his scepticism about a merger. The former McKinsey management consultant said he thought that two big trends were pushing banks and insurance companies together: increasing concentration in the financial-services industry, and a "blurring of boundaries" between banks and insurance companies.

It is true that over the past 10 years, the lines between banking, insurance and other financial services have become ever more blurred. Legal barriers which pigeonholed particular financial products have disappeared in most countries, and competition to sell more products to the same customers has intensified.

This has posed problems both for banks and insurance companies. Banks have come under increasing pressure as deposits, their traditional savings product, have lost market share to assets such as life insurance or mutual funds.

In the US, the share of all personal-sector financial assets accounted for by bank deposits has slid from 35 per cent in 1980 to 18 per cent in 1995. The share taken by insurance, pensions and mutual funds has risen from 26 per cent to 42 per cent. In the UK, bank and building society deposits dipped from 29 per cent in 1982 to 23 per cent in 1994. Germany, meanwhile, saw bank deposits decline from 53 per cent of personal financial assets in 1985 to 44 per cent in 1994.

In contrast to banks, which have needed to find new products to sell, insurance companies had traditional products that were in healthy demand. The problem for them was that their networks of tied agents were becoming increasingly expensive.

If anything, the insurers' quandary has been greater than the one facing banks, which have at least been able to get into other business. Some banks, such as Lloyds TSB and Abbey National in the UK, have bought estab-



lished life insurers to build up their life business. Others, such as Crédit Agricole in France and Midland Bank in the UK, have formed joint ventures with traditional insurers to build their own life insurance operations.

In short, both banks and insurance companies have been facing pressures as a result of changes in their business. And both have found it convenient to link up, often in a loose co-operation, to reduce that pressure.

Credit Suisse and Winterthur were among the companies doing this. In 1996, they formed a strategic alliance to tap additional sales opportunities for their products. They set up Winterthur-Colonna, Switzerland's leader in occupational pensions, and together with Swiss Re, Mr Mühlemann's old company, established Reassurance Finance Company, a joint venture for risk management products for multinational.

So why have they now gone further, to a merger? One possibility is that this is a defensive move by the insurers. Once regarded as separate from other areas of financial services, insurance is in its simplest form an attempt to pool and diversify risk. The underwriting skills needed to do this remain distinct,

but in the competition between banks and insurance companies to grab customers, the banks appear to be winning.

They have captured 19 per cent of the European life insurance market - and much more in France, where they are dominant. Insurers have made no such inroads into banking.

But when bankers and insurers have linked up, there have been awkward clashes of corporate culture. The gap between banking and life insurance may not be too wide to bridge, though some bankers shudder at the door-to-door sales culture of many traditional life companies. Accident insurance, however, appears to be a more disputatious business to a banker reluctant to haggle with a customer over his claim.

As a result, bank/insurance mergers on a scale as large as Credit Suisse's deal with Winterthur have been rare. And when they have taken place, they have sometimes been lumpy.

In the UK, recent merger discussions between Prudential and National Westminster Bank broke down, in part because of the difficulty of agreeing a strategy for such different businesses.

In the 1980s, when the French discovered "bancassurance", the

largest example was the takeover by the Gan insurance company of the Crédit Industriel et Commercial banking consortium. The results have been poor, though blame may lie more with CIC's cumbersome structure and with the heavy hand of state ownership than with the mixture of banking and insurance. The government plans to sell Gan by June - and that could break the link between the two sides.

If the two Swiss firms want to find a merger that holds out more hope for themselves, they might look ING Group, created from the 1991 merger of Nationale Nederlanden, the largest insurer in the Netherlands, with NMB Postbank, the country's third-largest bank. "We always thought we would be the beginning of a fashion," said Mr Aad Jacobs, ING's chairman.

ING executives say the merger has brought some cost savings, though these have come more from sharing information technology development than from stripping out duplicated expenses. It has also allowed ING to push insurance products through its bank branch network, which now sells 12 per cent of group insurance policies.

"We have both the bank's deposits and the insurance com-

pany's funds, which gives us all kinds of money: short, medium term and long," an ING executive said.

All the same, although the two sides of ING claim to work closely together, their operations remain largely separate and they have kept their own brand names, at least in the Netherlands.

In the case of the two Swiss firms, a combination of general principles and a few special factors also appears to be at work. Having reviewed the various areas of co-operation with Winterthur, Mr Mühlemann said that the two groups could not make the best use of opportunities by relying on their loose co-operation any longer.

"The focus has moved from traditional supply structures along product lines to the needs of the customer," he said.

In the field of pensions, for example, the management of capital (a traditional bank service) can be combined with tailor-made risk cover (an insurance solution).

But the main advantages of a merger lie in distribution. Its costs are a "decisive factor" in the pricing of products and often the most important element causing differences in price.

"If we can offer customers in Switzerland and abroad the products of both companies on a joint basis, and offer them through combined distribution channels involving close collaboration in marketing, then unique opportunities will be open to us," says Mr Mühlemann.

The combination of the two groups is expected to achieve cost savings of between Sfr300m to Sfr350m within three years. The bulk of these will come in Switzerland through synergies such as joint use of sales channels and better use of office premises, rather than through mass redundancies.

Doubts hang over Winterthur's insurance operations in the US, one of the few countries where significant legal barriers persist between banking and insurance. ING had to give up its US commercial banking licence, and Credit Suisse could face the same issue, although Congress is now considering legislation which would allow ownership links between banks and insurers.

One important factor in past mergers has been capital management. A driving force behind bancassurance deals in France in the 1980s was the need to bring the insurers' excess capital to the rescue of the undercapitalised banks. They faced the need to bring their capital ratios up to the new international norms set by the Bank for International Settlements in Basel, but could get no cash from their shareholder, the state.

Credit Suisse is not in such dire straits, but a spur to its thinking was the emergence of Mr Martin Eber, Switzerland's best-known corporate predator, as Winterthur's biggest shareholder. Moreover, the offer of 7.3 Credit Suisse shares for each Winterthur share amounts in effect to a rights issue, that allows it to consolidate Sfr7bn of Winterthur capital on its own balance sheet.

That is quite a glass of milk, and may be a good enough reason for Mr Mühlemann to change his mind and buy the whole cow.

OBSERVER

Parties pooped

The international rescue package agreed for Thailand yesterday may take its toll on traditional Thai hospitality - which can sometimes be a disguise for corruption.

Yesterday, the Thai cabinet told government officials to cut back on celebrations at the public expense.

Ministers have told state officials to "refrain from inviting guests to a party such as a birthday party, wedding party, anniversary party or any other parties which aim at self-interest". Finding an excuse to throw a party is a common way of coping up to a potential benefactor.

In addition, non-religious "charity among government officials for any government activities" - code for giving money to your superiors to smooth the path to promotion - must end.

Thailand's spendthrift politicians - dab hands at throwing lavish parties for supporters and receiving equally lavish parties from bureaucrats who want to court their favour - may find the final austerity point, printed in bold typeface on the government press release, the most difficult of all. It says

that politicians and political appointees must be models of good behaviour in adhering to the austerity measures. Setting an example was never easy.

Power shot

João Havelange, Brazilian president of international soccer's ruling body Fifa, certainly can't be accused of shirking a tackle with the folks back home.

First he tangled with Pelé, the former footballer and national icon who's now the country's sports minister and has put forward plans to shake up the national game. Havelange warned Pelé that the plans could lead to Brazil, the reigning champions, being banished from next year's World Cup in France.

He's now raised the stakes by taking on President Fernando Henrique Cardoso as well - he claims that Cardoso will get the red card in next October's presidential elections if Brazil isn't in the World Cup. Cardoso hasn't responded, while Pelé has kept the sort of poise he used to show in front of goal. "Brazil won't place in the World Cup on the field," not through a decision by Fifa, he says.

One of the central points of the Pelé law is to reduce the powers of the Brazilian Football Federation, whose integrity has been called into question several

times this year. The federation is headed by Ricardo Teixeira, who just happens to be Havelange's son-in-law.

Island fling

The battle over where the sun rises on the next millennium is getting sillier.

Two years ago, Kiribati declared that it was moving the international dateline - which ran through the island group - "for administrative purposes" which were not connected with the millennium even if it did put remote Caroline Island first in line for the sun's post-20th century rays. Now it's proposing to rename the island Millennium.

There won't be many souvenir mugs, T-shirts and balloons sold on Caroline, 14 hours ahead of GMT, as 2000 dawns - not only is the remote collection of rocks uninhabited, there is no fresh water, airstrip or anchorage.

If the renaming goes ahead - it hasn't been approved by the cabinet - it will add another twist to the first light dispute. Britain's Royal Observatory, acknowledged as an authority on these matters, doesn't recognise the dateline move: it says it'll still be December 31 when the sun rises on Caroline, but it will be January 1 when, 16 minutes later, it heaves over the horizon of the Chatham Islands, a bleak

outpost of New Zealand. Tonga claims both rivals' claims rely on "stinks" in the dateline, and that its dawn, 47 minutes after the Chathams, is the first. Millennium tourists might do best to put on lots of woolies and head for Antarctica where the new century's sun will be immediately visible in the permanent midsummer daylight.

Off the hook

The world's top computer hackers have set up camp in the town of Almere. Congress spokesman Maurice Wesseling says the average hacker is likely to be under 30 and hold down a good job in a multinational computer experts who respect the law", he says. They seem to have time on their hands as well.

The agenda contains discussions on worthy subjects like threats of censorship on the internet, but you can't keep a good archetype down. Dutch telephone engineers found that one responsible, law-abiding expert had tapped into their computer to make some free international calls.

Financial Times

100 years ago

Assassination Of Canovas
The Spanish Government has decided that the murderer of Señor Canovas shall be tried before the Military Courts. The body of the late Premier arrived in Madrid this morning and the funeral will take place to-morrow afternoon. The impression that Angiolillo, as the police now announce Golli's real name to be, acted entirely alone in his determination to kill Señor Canovas, is now doubted by the authorities, who believe that he was the emissary of an Anarchist plot, formed to murder the Premier.

50 years ago

Post-War Radio Exhibition
First post-war Radiophony will be held at Olympia, London, from 1st to 11th October. Since the war, British radio industry exports have increased fourfold, and emphasis of the forthcoming exhibition will be on exports. A special booklet, "British Radio for the World", for distribution overseas, is available. Broadcasting and television transmitting equipment, navigational aids and application of electronics to industrial processes, such as annealing, soldering, plastic-welding etc., will be included for the first time in the exhibition.

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Tuesday August 12 1997

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IMF and Asia in \$16bn rescue plan for Thailand

By Gillian Tett in Tokyo and Ted Bardache in Bangkok

The International Monetary Fund and a group of Asian countries led by Japan yesterday unveiled a \$16bn loan package to help Thailand overcome its recent currency turmoil.

Seven Asian countries have pledged contributions, with China also expected to participate in the most ambitious regional exercise in financial co-operation. It is also the largest support package since the IMF and donors led by the US made some \$50bn available to help Mexico overcome its currency crisis in 1995.

The participation of the Asian countries marks a new step for a region traditionally wary about financial co-ordination.

Mr Eisuke Sakakibara, Japan's vice-minister for international financial affairs, said: "This is a major step forward. What is important is that it shows that the Asian Pacific region is approaching these issues with solidarity."

The agreement emerged at a meeting hosted by the Japanese government in Tokyo yesterday and follows a pledge by

the Thai government last week to adopt austerity measures.

The IMF estimates that the 20 per cent devaluation of the Thai baht last month has left Thailand with a financing gap of \$14bn, suggesting that the Thai central bank has several billion dollars in outstanding forward contracts bought to defend the baht before it was freed from its virtual peg to the US dollar on July 2.

The IMF is expected to contribute \$4bn to the package, with Japan pledging \$4bn through the government-owned Export-Import Bank. Australia, Hong Kong, Malaysia and Singapore each pledged \$1bn of assistance, while South Korea and Indonesia offered \$500m each.

China is also "seriously and actively" considering making a contribution, said Mr Shigenitsu Sugisaki, IMF deputy managing director. The World Bank and Asian Development Bank are expected to provide additional support, raising the total towards \$16bn.

The financing would be in the form of medium-term loans, with a maturity of three to five years, close to market rates, and would be used for balance of payments support.

Mr Thanong Bidaya, Thai finance minister, said the funding would primarily be used to boost Thailand's foreign exchange reserves.

Thai politicians have already begun to argue over which companies and industries should get the money. The IMF is expected to be strict about how the money is used following the revelation last week that Thai authorities had sunk \$16bn into struggling financial institutions.

In addition to the government loans, private-sector assistance worth up to \$5bn is expected to emerge soon from a consortium of Japanese and non-Japanese banks. This is likely to include both the rollovers of loans and possible new lending.

Mr Thanong Bidaya, Thailand's finance minister, said Thailand's total debt is \$89bn, of which \$16bn is government debt and \$73bn is private sector debt. Half the private debt was short term, with Japanese banks also accounting for almost half of the \$73bn total private debt, he added.

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Thai bailout, Page 6
Observer, Page 17

Helmets give way to caps in new calm of Ulster

By John Murray Brown

Troops in Northern Ireland were patrolling yesterday in regimental caps rather than helmets in a sign of reduced tensions in the province since the Irish Republican Army's decision last month to restore its ceasefire.

The Royal Ulster Constabulary has already shed flak jackets and automatic weapons for patrol in nationalist areas.

The army, which has 17,000 troops in the province, said the helmet decision was taken "in the light of the current assessment of the threat to the security forces".

Senior security officials said there had been "zero activity" by the IRA in the first two weeks of the ceasefire. Officials said that, unlike the activities during the last ceasefire, terrorist units were no longer targeting security personnel or engaging in surveillance, and there was no evidence of IRA involvement in so-called punishment beatings.

An attempted car bomb attack on a hotel in county Fermanagh was blamed on the Continuity Army Council, a splinter republican group over which security officials believe the IRA has no control.

Mr Tony Blair, the UK prime minister, is understood to be more sceptical of the IRA's long-term intentions than Ms Mo Mowlam, the Northern Ireland secretary. But the government has promised that Sinn Féin, the IRA's political wing, will be admitted to substantive talks on Ulster's future, beginning on September 9, if the ceasefire holds.

Police had to intervene at the weekend during the last major march of the parade season, when loyalists briefly clashed with nationalist residents in Londonderry during the Apprentice Boys' march.

Elsewhere, the annual republican commemorations of internment laws passed without incident.

Another shibboleth will be discarded tonight when Mr Ken Maginnis becomes the first Unionist politician to debate on British television with Sinn Féin.

The security spokesman for the Ulster Unionist party will have a face-to-face debate with Mr Martin McGuinness, Sinn Féin's chief negotiator.

Unionists, already smarting at weekend reports that the government intends to soften its stance on terrorist prisoners in the wake of the IRA ceasefire, were emboldened yesterday in an internal row as the hardline Democratic Unionist party reacted angrily to claims by the fringe loyalist Progressive Unionist party that the DUP had agitated against a loyalist ceasefire.

THE LEX COLUMN

Winterthur wed

Do corporate raiders add value or just extract it? Mr Martin Winterthur, the maverick Swiss financier, has certainly managed to extract some by rattling Winterthur's cage. The staid Swiss insurer would hardly have been willing to lose its independence if Mr Winterthur had not threatened to take it over, sell it to a foreign group or subject it to other indignities. Since his funds started buying stock at the start of the year, Winterthur's shares have doubled - albeit in a sharply rising market.

Whether the deal adds value for CS Holdings' shareholders is another matter. The logic of putting together a Swiss leader in bancassurance is fair enough but nothing to get excited about. After all, the two groups already have an alliance. Actually merging the companies will boost the cross-selling opportunities and allow some costs to be cut. But the groundswell of pre-tax synergies of SF300m-SF350m after three years are not huge. Moreover, current CS shareholders will receive only 73 per cent of these benefits since the deal is all paper. Taxing the benefits and applying a generous multiple of 14 produces value of SF2.5bn. CS shareholders are certainly paying for the privilege: assuming Winterthur would have tracked the Swiss market in Mr Winterthur's absence, the premium works out at SF3.5bn-SF4.1bn too much.

Why then was CS so keen to do the deal? One theory is that it is effectively a disguised rights issue. Not only does Winterthur have about SF400m spare capital but further cash could be extracted by selling its unprofitable US and reinsurance arms. With a strong balance sheet, CS could soon be back in the market for another big acquisition.

Japanese equities Tokyo is getting the pain without the gain. After years of underperforming the world's markets, the selling point for Japanese equities was that they were still 50 per cent below their historic peak and should ignore any corrections in New York and London. The former still holds true, but the latter must be questioned after the 4 per cent drop yesterday in response to a weaker Wall Street.

The problem is the weight of natural sellers. There are the industrial and financial corporations winding down cross-shareholdings, and life assurance companies and banks

FTSE Eurotop 300 index 992.1 (-5.2)



propping up balance sheets by taking what equity profits they can. Japanese retail investors have not been encouraged by the scandals at the securities houses. And the collapse of Nissan Mutual has led to a sharp downturn in new life assurance policies. Foreign investors have manfully supported the market. But given the weakening Japanese economy, they concentrated on exporters, multinationals and technology stocks. Now the yen has strengthened, these so-called nifty stocks are tripping up. And if Wall Street falls further, US retail investors may well reduce equity holdings across the board.

Japanese valuations are low by their own high standards - indeed utility yields are more generous than bonds. But impending flotations like JR Tokai will absorb significant demand. The best reason for buying equities is the potential for dramatic economic restructuring in Japan. But the pace of progress remains painfully slow.

Sterling What is fair value for sterling? DM2.50-DM2.70 or \$1.50-\$1.60 are typical answers. And there lies a conundrum. Until last week's sharp correction, the pound was overvalued by most standards. Now, at DM2.95 and \$1.59, it still looks pricey against the D-Mark but reasonable enough against the dollar. The veneer of sterling's overvaluation has been stripped away and what is left is D-Mark weakness.

What then is the chance of the German currency recovering? A turn in the interest cycle - speculation which Mr Otmar Issing, Bundesbank chief economist, has

recently fuelled - might help. But even if German rates rise modestly from 3 per cent and British ones stay steady at 7 per cent, the pound will enjoy a decent yield advantage. Moreover, the main reason for D-Mark weakness is the belief that the euro will be broad and soggy. So far, there is little reason to change that view.

But while the D-Mark looks set to stay weak, there is one way sterling could be infected: if investors started to believe that it too would join the euro. Signing up in 1999 is not a runner, but 2001 might just be. Indeed, if the government wants to talk the pound down further, dropping hints about monetary union would be the most effective way. Even then, though, the fall would not be big. Say the plan was to freeze the currency at DM2.40 in 2001. Given British interest rates will almost certainly be higher than German ones until then, that would imply DM2.30-2.40 today.

EuroDollar

The 60 per cent premium Mr Wayne Huizenga's Republic Industries is offering for EuroDollar sounds generous. But the 1990 offer still sales against the 220p at which the UK car rental was floated in June 1994. In those days, the UK car rental industry enjoyed the equivalent of a free lunch - it could resell used cars from its rental fleet for more than it paid when brand new. EuroDollar promised this was an ongoing feast, but proceeded to serve up a diet of profit warnings. So shareholders may be grateful for any opportunity to cut their losses.

That said, the global car rental business is undergoing changes which will make it far more attractive. Having acted as distribution outlets for their owners, the big motor manufacturers, several car rental businesses have been floated or sold to the likes of Republic. The new owners must focus on improving returns, rather than showing off the latest new model from Detroit. So that should reduce the tendency for price wars and an excess supply of nearly new cars.

EuroDollar has attracted a higher multiple of sales than several similar US deals. And it lacked the financial muscle to develop an international network, so it was going to struggle against the bigger global brands. But at a prospective price/earnings ratio of 12, Mr Huizenga cannot be accused of over-paying.

Clinton in budget veto

Continued from Page 1

no one will notice," he said. He carefully laid out his criteria for the veto - any provision benefiting just a few individuals, corporations and states at the expense of the general interest and any provision inconsistent with "good public policy".

Congress can take up any item vetoed by the president and pass it again by a majority vote. The president could then veto it again, which would require a two-thirds vote to override. Use of the veto is open to a legal challenge since there is still a dispute over its constitutionality after an inconclusive Supreme Court judgment in June.

Olympics

Continued from Page 1

and partly because almost 1m Athenians had already left the capital in the summer exodus to the islands.

A much-publicised quarrel between the various organisers over the lack of spectators did little to boost the image of international athletics in Greece.

Segas has been criticised for approving a television advertising campaign for the championships which failed to provide details of where to buy tickets or how to get to the Olympic stadium.

Spain considers \$787m sale of military property

By Norma Cohen in London and David White in Madrid

Spain's Ministry of Defence has retained NatWest Markets, the investment banking arm of National Westminster Bank, and accountants Arthur Andersen to advise it on the disposal of Pta122bn (\$787m) of non-residential military property, including land, operational headquarters and other facilities.

The mandate is to conduct a feasibility study on the options available to the Spanish government. These could include an outright sale or a sale and lease-back arrangement allowing the Spanish military to continue using the properties.

The advisers will be asked to determine whether the properties can be disposed of using a structured financing similar to that used in the controversial sale and lease-back arranged for the UK's Ministry of Defence last year when it sold \$8,000 residential units for \$1.6bn (\$2.6bn).

NatWest was financial adviser to the MoD, which attracted criticism from former and current military personnel opposed to the disposal.

Spain's centre-right government is anxious to speed up divestments of military property to finance a changeover to

fully professional armed forces.

It announced last year a plan to follow the example of France and phase out compulsory military service while at the same time modernising and re-equipping its forces. It is expected that some proceeds of the sale will be earmarked for defence expenditure.

Spain's defence ministry has been selling off barracks and other property at an average rate of Pta50n a year since the mid-1980s, but revenues have been coming in less rapidly than planned, experts say.

A reform introduced by the government last year allows the Ministry to use the revenues from sales of redundant military facilities to buy arms and equipment.

The UK military housing properties were sold to Annington Homes, a consortium headed by Japanese investment bank Nomura International which devised an unusual financing structure consisting of both debt and equity.

Debt securities backed by rental income cash flow were sold to fixed interest investors while other investors hoping to gain from the capital appreciation of the underlying properties bought the equity securities.

FT WEATHER GUIDE

Europe today

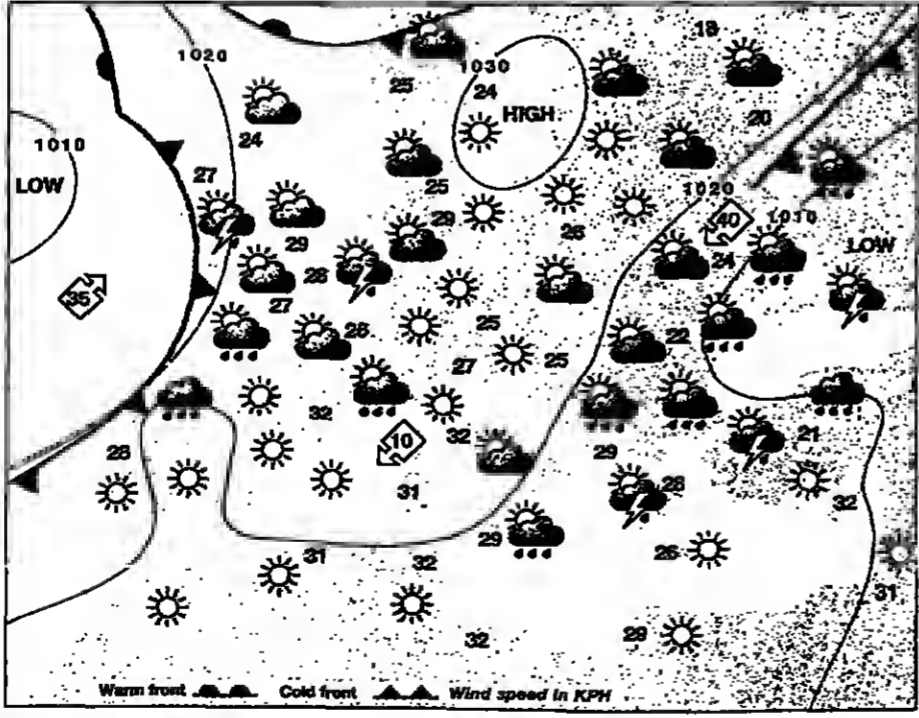
Most of the Mediterranean will have almost continuous sunshine, but southern Italy and Greece may have some thundery outbreaks. France, the Low Countries and the Alpine states will have another very hot day with plenty of sun, but some thunder showers are possible, especially in north-east France and the Low Countries. Meanwhile, Germany, Poland and Scandinavia will be mostly sunny and very warm, although a cold front will bring some showery rain to central Scandinavia. The extreme east of Europe will have quite a stiff north-easterly wind and many thundery showers.

Five-day forecast

Much of the Mediterranean will remain sunny and very hot, but north-west Iberia will be cloudier and cooler with a few isolated storms over the mountains of northern Greece and Turkey. Central and north-west Europe will have a good deal of fine weather although there will be a few thundery showers. Eastern Europe will become unsettled.

TODAY'S TEMPERATURES

| | | | | | | | | | | | | | | | |
|-----------|----|-----------|----|----------|----|-------|----|-----------|----|-----------|----|--------|----|----------|----|
| Madrid | 34 | Berlin | 27 | London | 22 | Paris | 24 | Rome | 28 | Stockholm | 18 | Warsaw | 20 | Zurich | 21 |
| Amsterdam | 23 | Bombay | 30 | Calcutta | 32 | Dubai | 35 | Hong Kong | 31 | Manila | 30 | Moscow | 25 | New York | 24 |
| Seoul | 28 | Singapore | 32 | Taipei | 30 | Tokyo | 29 | Yokohama | 28 | | | | | | |



Situation at midday. Temperatures maximum for day. Forecasts by FA Weather Centre

| | | | | | | | | | | | | | | | |
|-----------|----|-----------|----|----------|----|-------|----|-----------|----|-----------|----|--------|----|----------|----|
| Madrid | 34 | Berlin | 27 | London | 22 | Paris | 24 | Rome | 28 | Stockholm | 18 | Warsaw | 20 | Zurich | 21 |
| Amsterdam | 23 | Bombay | 30 | Calcutta | 32 | Dubai | 35 | Hong Kong | 31 | Manila | 30 | Moscow | 25 | New York | 24 |
| Seoul | 28 | Singapore | 32 | Taipei | 30 | Tokyo | 29 | Yokohama | 28 | | | | | | |

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REGISTRAR

AOT "Moscow Central Depository"

IN BRIEF
Jobs so
shares i

Market Statistics

| | | | |
|------------|----------|--------|-------|
| FTSE 100 | 2,845.1 | Change | +12.5 |
| Nikkei 225 | 14,512.3 | Change | +87.6 |
| DAX | 3,210.4 | Change | +15.2 |
| Hang Seng | 11,234.5 | Change | +45.1 |
| ASX | 4,567.8 | Change | +23.4 |
| SEAX | 1,234.5 | Change | +12.3 |
| IBEX | 3,456.7 | Change | +18.9 |
| BOVESPA | 2,345.6 | Change | +10.1 |
| NYSE | 7,890.1 | Change | +34.5 |
| AMEX | 1,234.5 | Change | +15.6 |
| NASDAQ | 2,345.6 | Change | +25.7 |
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COMPANIES AND FINANCE: INTERNATIONAL

Wooing the Taiwanese consumer

Foreign and domestic banks are targeting an increasingly affluent population

Competition is hotting up in Taiwan banking as a host of domestic and foreign banks attempt to attract the long-neglected but increasingly affluent consumer.

"Taiwan has a rapidly expanding middle class, and those are the people who fuel economic growth after industrialisation," says Mr Craig Walling, head of Citibank's consumer banking operations in Taiwan. "As well as our traditional retail businesses, we see opportunities in mutual funds, insurance and pension funds."

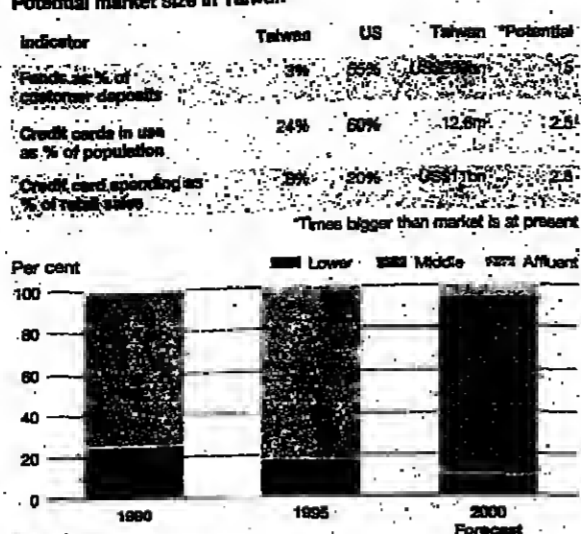
Among other foreign banks in Taiwan, Standard Chartered moved into consumer banking several years ago, followed by HSBC two years ago and Bank of America last year. ABN Amro, of the Netherlands, recently announced plans to use Taiwan as a launch pad for its consumer banking business in Asia, with a start scheduled for October.

Taiwan's financial sector has been liberalised substantially since the early 1990s, bringing in tougher competition and better services. But as companies increasingly turn to capital markets to raise funds, it is consumer banking that has seen the greatest growth.

"In corporate finance, competition is fierce and margins are low," says Mr Julius

Taiwan's solid middle class

Potential market size in Taiwan



Chen, president of Taishin International Bank. "At the same time, growth in consumer activity is much higher than in wholesale."

Taishin was one of 16 new banks to set up in 1992, after the finance ministry handed out a raft of banking licenses following a freeze lasting several decades.

The sudden emergence of the 16 "new banks" - plus two trust companies allowed to convert into commercial banks - injected much-needed competition into the country's stagnant banking industry. Since the corporate

lending business was dominated by the huge state-run financial institutions, the newcomers aggressively pursued the consumer. "A large number of products became available to middle-market consumers for the first time," says Mr Walling, at Citibank.

Those products include mortgage loans, car loans and credit cards. Citibank now holds a 25 per cent share of credit cards in issue - about the same as Citibank's leading non-state bank - and has recently pio-

neered unsecured consumer lending.

Other banks are watching to see whether the experiment succeeds. The timing is certainly right, as are the fundamentals.

Half of Taiwan's 21.57m population is below the age of 30. Eighty-five per cent of the population is middle-class, and many are in the "nest-building" phase, when they want to improve their standard of living and need credit to do so. The savings rate is 25 per cent, down from 36 per cent a decade ago. Per capita gross national product is forecast to hit US\$13,683 this year - but this does not account for the underground economy, estimated at 40 per cent of the official one.

Fundamental cultural shifts are also taking place. "Until recently, most Taiwanese preferred to pay cash, even to buy a house," says Mr Chen. "But the basic philosophy is changing dramatically, especially among young people. They still have the traditional strong savings ethic, but are willing to use more sophisticated means to improve their quality of life."

Taiwanese are very accepting of new technology, helping consumer banking to develop much faster than it has in the US or Europe. Cheques are not widely

used, so Taiwan will leapfrog from cash to paperless transactions.

Although the new and foreign banks have a head start, the state-run banks are also keen to capture the consumer.

However, Mr C. C. Chen, head of retail business at International Commercial Bank of China, the most progressive among the state-backed banks says: "We feel very strong pressure from the multinational banks. Consumer banking is dependent on systems, technology and marketing. In the long run it will be difficult to compete with the multinationals."

The old banks are not geared to serve the individual, and bankers estimate it will take them at least five years to get up to speed. "Consumers have been taken advantage of," says Mr Chen. "They have been subsidising the corporations all these years."

When the government loosens curbs on marketing of mutual funds, pension funds and insurance, Mr Walling expects those areas to "explode". Some of the growth will be returning flight capital, but most of it will come from savings and equities.

Laura Tyson

Daimler takes full control of Debis unit

By Graham Bowley in Frankfurt

Daimler-Benz, the German motor and industrial group, has paid about DM300m (\$162m) for the 19.8 per cent stake owned by Cap Gemini, the French software consultancy, in Debis Systemhaus, Daimler's information technology business.

The move - which was widely expected - ends the period of official co-operation between the German group and Cap Gemini, although the two have vowed to continue to work together in some fields.

The sale, which was announced yesterday in Paris, gives Daimler 100 per cent of Debis Systemhaus, which is part of Daimler-Benz Inter-Services (Debis), the group's financial services and mobile telecommunications division.

The move was anticipated after Daimler-Benz last month sold its 24.4 per cent stake in Cap Gemini to CGIP, the French holding company, for about DM1.4bn. It said then it wanted to concentrate on the expansion of its own IT activities.

The company stressed at the time that Daimler and Cap Gemini would continue to work together, but that full share ownership was not necessary for co-operation.

In addition, Debis said the move to break the official link with Cap Gemini would allow the German group's IT division to compete more freely in international markets.

This was because there was previously an agreement to limit competition between the French and German businesses in markets such as France and the UK.

CGIP, which already owned 20 per cent of Cap Gemini, used the sale by Daimler to raise its stake to 30 per cent and sold the remaining shares to institutional investors.

INTERNATIONAL NEWS DIGEST

Sol Meliá ahead 35% at halfway

Sol Meliá, the Majorca-based hotel group which last year became the first company in the Spanish tourism business to be quoted on the stock market, lifted first-half net profit 35 per cent to Ptas1,870m (\$11.8m) as it continued to expand its international network. However, the increase was below some market forecasts and the shares closed 2 per cent down yesterday at Ptas5,820, compared with a Ptas7,700 issue price when Sol Meliá was floated last July.

Analysts expected a strong Spanish summer holiday season to bring a further surge in earnings growth in the second half. They also saw the group gaining from the recent strength of the US dollar, since about 80 per cent of its revenues are linked to the currency. The group, which leads the sector in Spain in both city and resort hotels, lifted first-half revenues 17 per cent to Ptas5,550m.

Since the beginning of the year the group has added 15 hotels in Latin America, Asia, North Africa and Spain, bringing its total to 215. It said the results of its expansion, which had moved it up from 15th to 14th place among international hotel groups, would be reflected over the next few months.

David White, Madrid

GERMAN RETAILING

Banks sell Karstadt stake

Deutsche Bank and Commerzbank have sold a combined stake of just over 20 per cent in Karstadt, the retail concern, to Schickelknecht, the privately owned mail order and banking group. The deal is a further move by German banks to shed some of their industrial holdings and could foreshadow greater restructuring in the retail sector.

Karstadt said it planned to co-operate with Schickelknecht in strategic alliances, although it did not give details. Analysts said joint purchasing and a pooling of efforts in mail order expansion, especially abroad, were likely areas where the two could work together. Karstadt, which reported virtually unchanged first half sales of around DM5.5bn (\$3bn), owns the Neckermann mail order operation, as well as department stores under its own and the Hertie names, and travel agencies. Schickelknecht owns the Quelle mail order company - Europe's largest - which is also involved in television home shopping, and Quelle-Bank, a direct bank. It recently agreed to sell Noris Verbraucherbank, which specialises in standardised loan and investment products, to Bayerische Vereinsbank.

Andrew Fisher, Frankfurt

GREEK BANKING

Alpha Credit climbs 54.5%

Alpha Credit Bank, the biggest private Greek banking group, raised consolidated first-half pre-tax profits 54.5 per cent to Dr47.4bn (\$163m), slightly above analysts' forecasts. The bank said net interest income increased 38.8 per cent, while income from commissions and fees grew 38.2 per cent. Staffing costs were cut to 21 per cent of revenues from 25 per cent for the same period last year.

Lending grew 37 per cent to Dr1,087bn in the first half, making Alpha the third-biggest lender in the Greek market, while deposits were up 16 per cent to Dr2,000bn. Alpha this year targeted small and medium-sized Greek companies for the first time in a drive to increase market share. It has cut lending rates for working capital by more than 3 percentage points since the start of the year and has introduced fixed-rate mortgages to the Greek market.

Kerri Hope, Athens

SOUTH AFRICA

NAI drops Nafhold listing plan

New Africa Investments, South Africa's largest black-controlled company, yesterday dropped plans to list Nafhold, its financial services subsidiary, on the Johannesburg Stock Exchange.

Mr Jonty Sandler, chief executive, said the company would instead absorb Nafhold as a wholly-owned subsidiary by swapping non-voting New Africa shares for the 32.7 per cent of Nafhold held by minorities. The company would swap 426 new non-voting shares for every 100 Nafhold shares in a deal worth about R600m (\$82m).

The deal will double New Africa's market value to more than R3bn (\$42m), and transform it from an investment trust into a diversified conglomerate with effective control of its underlying assets. It will dismantle the Nafhold "pyramid" structure which houses the group's financial interests, and increase its direct stake in Metropolitan Life, the leading insurer in the black consumer market, to 34.9 per cent. However, the new structure was unlikely to be permanent, said Mr Sandler. New Africa would continue to expand, although "the pace is to a large extent determined by what major assets are being made available in the South African economy".

New Africa also has interests in African Merchant Bank - formerly DLJ Fletch, and a significant stake in Johnnie, the beer-to-newspapers conglomerate acquired last year from Anglo American. South Africa's biggest company. The group planned to list African Merchant Bank on the JSE by March next year, via a private placing of shares worth R300m. It is also poised to take joint control of Gold Fields of South Africa.

Mark Ashurst, Johannesburg

Générale des Eaux unit in UK move

By Virginia Marsh in London

Shares in Leigh Interests surged 23 per cent yesterday after General Utilities, a subsidiary of Générale des Eaux, said it had approached the UK waste management company.

An offer for Leigh, which has a market capitalisation of about £100m (\$158m), would be a further step in the French group's expansion into the UK.

The utilities, construction and communications concern has invested £1bn in a swathe of industries in the

UK over the past decade. Its UK operating companies employ about 22,000 and together had a turnover of £1.7bn last year, about 9 per cent of the group total.

Shares in Leigh, which have underperformed the market by about 75 per cent over five years, rose 27.5p to 146.5p on the news.

"GGE has recently been streamlining its operations and making disposals," said an analyst. "But Leigh fits in well with its businesses. Even after yesterday's rise, the price doesn't look demanding. I'm surprised no

one's bid for it before."

General Utilities, which groups GGE's majority interests in four UK water suppliers, said it did not yet know if discussions would lead to an offer being made.

Leigh said the only contact between the two companies by yesterday afternoon was a telephone call on Sunday following after press reports saying General was planning an approach. No talks between the two companies had been scheduled.

Leigh made pre-tax profits of £7.12m last year compared with a £9.57m loss in 1995-96,

after a £15.8m restructuring charge.

It has a profitable dry waste and landfill business which accounted for half of last year's turnover of £115.1m. It also has an open-cast coal business and a loss-making chemical and clinical waste operation.

More than 30 per cent of Leigh's shares are held by three institutional investors - Fidelity, PDM and Deutsche Morgan Grenfell.

Générale des Eaux already has two UK waste subsidiaries with combined turnover of about £150m. Onyx

UK operates in refuse collection and street cleaning, while Onyx Aurora treats and disposes of waste.

An offer for Leigh would be GGE's first bid in the UK since its planned acquisition of Mid Kent Holdings, a water supply company, was blocked by the UK competition authorities earlier this year.

In a £1.1bn deal, it recently sold its French and UK healthcare and hospital interests to management teams backed by Citiven, the UK fund management company.

NEW ISSUE

This announcement appears as a matter of record only.

August, 1997



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Deutsche Morgan Grenfell

Dresdner Kleinwort Benson

Salomon Brothers International Limited

Metro Pacific advances 46%

By Neri Tenerio in Manila

Metro Pacific, the Philippine flagship of Hong Kong-based First Pacific, lifted first-half net profits 46 per cent from a year earlier to 574.4m pesos (\$30.2m), mainly as a result of gains at its property and telecom affiliates.

Earnings per share rose 37 per cent, from 12.26 centavos last time to 16.79 centavos. The company said property development "continued to provide excellent returns".

It added that it had increased its holding in a consortium investing in the Fort Bonifacio project, Manila's largest property development, and would acquire a bigger stake in Smart Communications as part of the mobile phone operator's initial public

offering later this year.

Metro said second-half prospects looked brighter, owing to the additional interest in Bonifacio Land Corporation and to Smart's IPO, which is scheduled for September or October. The mobile phone provider will offer about 400m shares at between 12-20 pesos a share.

The profits advance came despite a 17.2 per cent drop in revenues, from 2,64bn pesos to 2,19bn pesos. The company attributed the fall partly to the restructuring of its packaging business.

Total assets grew 30 per cent, from 21.4bn pesos to 28.2bn pesos, largely as a result of the purchase in June of the additional stake in Bonifacio Land, which raised Metro Pacific's interest in the Fort Bonifacio project to 56 per cent.

Total return amounted to 69 percent for the 12-month period ending June 30

INTERIM REPORT JANUARY-JUNE 1997

Investor AB is the largest Swedish industrial holding company. It generates value for the shareholders through long-term active ownership, active investment operations and trading. Over the past 25 years the average total annual return to the shareholders has exceeded 20 percent.

Investor AB owns Saab, 50 percent of Saab Automobile and a portfolio of major holdings in a number of Sweden's largest, most internationally active industrial companies. These include Astra, Incentive, Scania, Ericsson, ABB, STORA, Atlas Copco, S-E Banken, SKF, Wm-dexa, SAS, Oxi Gruppen, TV4 and Electrolux. Its largest shareholders are the Wallenberg family foundations and a number of mutual and pension funds.

Investor AB is based in Stockholm, with offices in Hong Kong, London and New York. The interim report can also be accessed on the Internet.

- Investor's total return in the most recent 12-month period up to and including June 30, 1997, amounted to 69 percent.
- During the first half of 1997, purchases were made and an agreement on acquisition of shares was concluded for a total of 10,339 million kronor within the framework of Investor's main holdings. Of this, 6,368 million kronor accounted for the acquisition of shares in ABB, effective from and with payment due January 1998, and 2,806 million kronor accounted for the purchase of shares in S-E-Banken.
- The value of Investor's main holdings as of June 30, 1997, was 88,444 million kronor. On August 4, the value was 90,098 million kronor. The increase in value of the main holdings over the period was 25 percent.
- Investor's net worth on June 30, 1997, amounted to 97,736 million kronor, or 487 kronor per share. On August 4, the net worth was 99,200 million kronor, or 496 kronor per share.
- In June, Investor's jointly owned company Saab Automobile unveiled its new model, the Saab 9-5. The new model will begin sales in all markets in the fall, except in the United States, where sales will begin at the beginning of 1998.

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مكتبة القرآن الكريم

COMPANIES AND FINANCE: WINTERTHUR-CREDIT SUISSE MERGER

Agreed takeover puts Credit Suisse at the top

By William Hall in Zurich

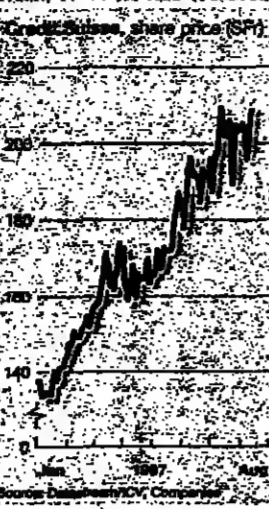
Credit Suisse's proposed acquisition of Winterthur will finally settle the long simmering dispute over which of Switzerland's big three banks - Credit Suisse, Union Bank of Switzerland and Swiss Bank Corporation - is the market leader.

Credit Suisse yesterday underlined its recovery following last year's restructuring by announcing a 70 per cent rise in first-half net income, to SF1.4bn (\$886m) and a return on equity of 17 per cent.

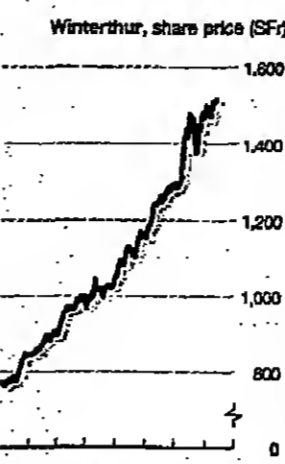
The 26 per cent growth rate in net operating income, to SF1.1bn, was nearly twice as strong as at Union Bank of Switzerland, its arch-rival, which reported its first-half results last week.

However, Credit Suisse's operating expenses of SF1.1bn are nearly one-third higher than at UBS, with the result that its first-half net profits are still some way behind UBS, which

Moves that drove the shares



- April 1996: Credit Suisse offers to merge with Union Bank of Switzerland - rebuffed
- July 1996: Credit Suisse announces restructuring to save SF700m a year, 5,000 jobs cut. Swiss branch network reduced by 40 per cent
- March 1997: Credit Suisse reports SF2.6bn net loss for 1997 as a result of restructuring
- April 1997: Winterthur hires Mr Thomas Wellauer, a McKinsey consultant and colleague of new Credit Suisse chief Mr Lukas Mühlemann to take over as chief executive from January 1998
- May 1997: Mr Martin Ebner, Switzerland's best-known corporate predator, announces that he has a 14.5 per cent stake in Winterthur - a good sign with long-term growth potential
- July 1997: Mr Ebner increases his stake and discloses that Swiss Re, Switzerland's biggest insurer, has bought 5 per cent of Winterthur
- August 1997: Credit Suisse and Winterthur announce merger



earned SF1.86bn. Mr Rainer Gut, 65, who has headed Credit Suisse since 1982, has long harboured the ambition of running Switzerland's biggest banking group. In terms of assets, Credit Suisse overtook UBS some time ago, but

in terms of profit and capital strength it still lags behind. Mr Gut tried last year to achieve his goal by offering to merge with UBS.

That was rebuffed, however, and some will see yesterday's deal with Winterthur as a sign that Mr Gut,

Switzerland's most senior banker, has achieved his dream.

The market capitalisation of the combined group, at more than SF60bn, will be comfortably ahead of UBS, which has a market capitalisation of SF40bn.

In an attempt to reassure investors that the acquisition of Winterthur was not just a question of getting bigger, Credit Suisse took the unusual step of indicating what its earnings might look like in 1997 and 1998, based on analysts' estimates.

Credit Suisse lost SF2.6bn last year but indicated yesterday that 1997 earnings could be of the order of SF2.4bn, rising to SF2.7bn in 1998. Prior to last year's restructuring, Credit Suisse had never earned more than SF1.7bn and in the last few years its profits have hovered around SF1.3bn.

In 1996 Winterthur reported net income of SF607m and Credit Suisse suggests this could rise to SF620m in 1997 and SF730m in 1998. After adding just under SF100m of after-tax synergies in 1998 - the first full year of the merger - the combined group would increase its net profits from SF38m in 1997 to SF138m in 1998.

Credit Suisse stressed that these figures are based on analysts' estimates, but they give an indication of the goals its new management team, under Mr Lukas Mühlemann, is shooting for. Winterthur has shareholders' equity of SF5.2bn and

Credit Suisse has equity of SF15.8bn, giving the combined group an equity base of SF21bn and strengthening Credit Suisse's equity to asset ratio from 3.1 per cent to 3.7 per cent.

Credit Suisse will continue to operate Winterthur as a separate legal entity and both sides stressed there would be relatively few job losses. The biggest part of the estimated SF350m synergies will come from revenue increases, rather than cost-cutting.

Mr Peter Späth, Winterthur chairman, went to some lengths to stress that Winterthur was merging with Credit Suisse rather than being taken over. He remains chairman of Winterthur, and becomes first vice-chairman of the enlarged group. Mr Thomas Wellauer, brought in from McKinsey & Co as chief executive designate, will take over at Winterthur in October and become a member of Credit Suisse's executive board.

Bank sees no impact on Swiss Re link

By John Gapper, Banking Editor

Directors of Credit Suisse insist the Winterthur takeover will not disturb its relationship with Swiss Reinsurance, the co-owner of its highly-profitable derivatives subsidiary, Credit Suisse Financial Products.

Ownership of CSFP is more complex than that of other Credit Suisse divisions. This is one reason why the derivatives arm is further detached from its investment banking arm, Credit Suisse First Boston, than is the case elsewhere. A restructuring of CSFP - completed this year - to include the group's lending to large companies did not include a full integration of CSFP.

Directors say that the Winterthur acquisition equally does not require a change of ownership.

They also point out that Mr Ulrich Bremi, the chairman of Swiss Re, sits on the board of Credit Suisse, and has been privy to the Winterthur purchase. This is regarded as a signal that Swiss Re is happy with the deal.

Mr Richard Thornburgh, Credit Suisse finance director, said that there "should be no effect on CSFP's ownership" from the deal, but it could reinforce a joint venture set up in 1995 to sell complex reinsurance deals to large companies.

The company, Reinsurance Finance Company, was set up by Credit Suisse, Swiss Re and Winterthur to help companies cover risk from investment and project finance deals. It was one of several Winterthur-Credit Suisse ventures.

Analysts expect convergence in the long term between the risk management services offered by general insurance companies such as Winterthur, and those by derivatives operations such as CSFP.

However, there was no talk of CSFP gaining in the short term from the link-up with Winterthur.

"That sort of thing is going to take a while, and I am not going to start adjusting my earnings estimates yet," Mr Thornburgh said.

Maverick financier and McKinsey man meet again as Credit Suisse moves to secure Winterthur

Corporate raider gets birthday wish

By William Hall

Mr Martin Ebner, Switzerland's best-known corporate predator, is 52 today, and he could not have wished for a better birthday present. After years of struggling against Switzerland's financial establishment, he has finally helped precipitate a deal which few thought possible a year ago - making a killing for investors who backed him.

Mr Ebner, who is worth more than SF1bn (\$434.7m), has always been a thorn in the side of Switzerland's corporate establishment. When Mr Rainer Gut, chairman of Credit Suisse, and Mr Peter Späth, chairman of Winterthur, are regarded as members of Switzerland's great and the good, Mr Ebner has always been an outsider. After falling out with directors of Bank Vontobel, where he was head of research, he set up his own bank, BZ Bank, in 1985.

He has made a lot of money for shareholders in his stable of investment funds, which include the successful SF7.5bn Pharma Vision (largely invested in Roche). But until now efforts to make his voice heard in the boardrooms of corporate Switzer-

land have gone largely unnoticed. A few years ago he tried to join the banking establishment by acquiring Bank Leu, a Swiss private bank, but was outmanoeuvred by Mr Gut's Credit Suisse. He then turned his attentions to Union Bank of Switzerland, the country's most powerful bank, where he is the biggest shareholder. He conducted a high profile campaign to oust Mr Robert Studer, UBS chairman, and block the bank's efforts to simplify its share structure.

UBS was the worst performing bank share in 1996 and has continued to lag behind the sector this year, casting doubt on Mr Ebner's judgment. When he announced in May that he had taken a 14.5 per cent stake in Winterthur, it was interpreted by some as the act of a man who put most of his eggs in the wrong basket.

Since then, Mr Ebner has behaved like a US corporate raider, dropping heavy hints that Winterthur was a takeover target. Credit Suisse and Winterthur acknowledged yesterday that they had had to bring forward merger plans after Mr Ebner sent his shareholders a letter at the weekend backing a deal.



Martin Ebner (top) and Credit Suisse chief Lukas Mühlemann

Rescuer who was waiting in wings

By Christopher Adams

Ask Lukas Mühlemann, the cigar-smoking chief executive of Credit Suisse, how often history repeats itself. He might say at least twice.

Switzerland's biggest banking group beat off Mr Martin Ebner for control of Bank Leu in 1990 and appears to have done it again with Winterthur. While Mr Ebner hustled around the big insurance group, Mr Mühlemann was waiting in the wings. He emerged yesterday as a sort of "white knight", snatching Winterthur from Mr Ebner's advances.

How long that image will endure is likely to be determined by his often provocative management style. Analysts say he has a track record for challenging conventional wisdom.

Mr Mühlemann, 47, is an outsider to both banking and insurance. One of a small group of McKinsey-bred management consultants at the top of the Swiss financial services industry, he started as a systems engineer with IBM before doing an MBA at Harvard. He made his name by restructuring Swiss Re, the world's second biggest reinsurance group, selling off most of its

direct insurance business within a year of his appointment in 1994 as chief executive.

"The insurance industry is renowned for maintaining the status quo," says Mr Bob Yates, analyst at Fox, Pitt Kelton. "He's coming from the other end and is passionate about doing things differently."

Mr Mühlemann refocused Swiss Re on its core reinsurance operations and left shortly after pulling off one of the biggest reinsurance deals - the £1.75bn (\$2.85bn) purchase of M&G Re, a life and health reinsurer, from UK-based Prudential.

He came to Credit Suisse at the start of this year, charged with overseeing a shake-up aimed at improving the bank's ailing performance. His appointment prompted analysts to wonder if a wider restructuring would follow.

McKinsey had advised Winterthur for several years and Mr Mühlemann knew the company well. Speculation about a merger grew after Mr Thomas Wellauer, the current managing director of McKinsey in Switzerland, was appointed to succeed Mr Peter Späth as the insurer's chief executive at the end of 1997.

Commerzbank Overseas Finance N.V.
USD 150,000,000 Subordinated Collateral Floating Rate Guaranteed Notes Due 2005
In accordance with the provisions of the Notes the following notice is hereby given:
Interest Period: August 11, 1997 to February 11, 1998 (184 days)
Interest Rate: 5.58398 % p.a.
Coupon Amount: USD 142.70 per USD 5,000 Note
USD 2,854.03 per USD 100,000 Note
Payment Date: February 11, 1998
Frankfurt/Main, August 1997
COMMERZBANK

Notice of Corporate Action to all Holders of
5% per cent. Convertible Subordinated Debentures due 2001 (the "Debentures")
of
Alex. Brown Incorporated (the "Company")
Pursuant to Section 1206 of the Company's Indenture to Bankers Trust Company, as Trustee, dated 12th June, 1996, relating to the Debentures, the Company hereby gives notice to the Debentures' holders of record on 2nd July, 1997, that, subject to the approval of the stockholders of the respective companies, the Company will merge with and into a wholly-owned subsidiary of Bankers Trust New York Corporation ("Bankers Trust"). It is expected that the merger will become effective on or about 1st September, 1997, after which each issued and outstanding share of the Company's common stock will be exchanged for 0.85 shares of Bankers Trust's common stock.
12th August, 1997
Alex. Brown Incorporated

The Nippon Credit Bank, Ltd.
Notice to Holders of
U.S. \$150,000,000
1% per cent. Convertible Bonds 2002
Resignation and Appointment of Principal Paying Agent, Conveyance Agent and Replacement Agent
Notice is hereby given, pursuant to Clause 13 of the Paying and Conveyance Agency Agreement dated 10th October, 1997 relating to The Nippon Credit Bank, Ltd. U.S. \$150,000,000 1% per cent. Convertible Bonds 2002 (the "Bonds"), that The Nippon Credit Bank, Ltd. acting through its London Branch, resigns the appointment of the Principal Paying Agent, Conveyance Agent and Replacement Agent relating to the Bonds with effect from 12th August, 1997 and Bankers Trust Company with its office at 110 South Street, New York, New York (USA) is appointed as successor Principal Paying Agent, Conveyance Agent and Replacement Agent with effect from 12th August, 1997.
12th August, 1997
The Nippon Credit Bank, Ltd.

Cassa di Risparmio di Verona Vicenza Belluno e Ancona
U.S. \$100,000,000
Floating Rate Depository Receipts Due 1999
Notice is hereby given that the Rate of Interest has been fixed at 5.6875% and that the interest payable on the relevant Interest Payment Date November 12, 1997 against Coupon No. 15 will be US\$152.53 in respect of US\$100,000 nominal of the Receipts and US\$1,525.33 in respect of US\$10,000 of the Receipts.
August 12, 1997, London
By Citibank, N.A. Corporate Agency & Trust, Agent Bank
CITIBANK

CATHAY PACIFIC
A DIFFICULT TRADING ENVIRONMENT
Chairman: Cathay Pacific Airways Limited
Hong Kong, 7th August 1997
1997 INTERIM RESULTS HIGHLIGHTS
For the six months ended 30th June 1997
The following figures are unaudited and are subject to final audit
1997 1996 Change
Revenue US\$ 1,737 1,421 +22.2%
Operating profit US\$ 137 142 -3.5%
Profit attributable to shareholders US\$ 137 142 -3.5%
Earnings per share HK\$ 0.137 0.142 -3.5%
Dividends per share HK\$ 0.05 0.05 0%
Earnings per share excluding exceptional item of associated companies in 1996 HK\$ 0.137 0.142 -3.5%
Dividends per share excluding exceptional item of associated companies in 1996 HK\$ 0.05 0.05 0%
Adjusted to exclude exceptional item of associated companies in 1996:
Profit attributable to shareholders US\$ 137 142 -3.5%
Earnings per share HK\$ 0.137 0.142 -3.5%

Swire Pacific
1997 Interim Results Highlights - unaudited
Profit attributable to shareholders US\$425M +9%
Earnings per share 26.9¢ +9%
Dividends per share 6.0¢ +9%
Adjusted to exclude exceptional item of associated companies in 1996:
Profit attributable to shareholders US\$425M +28%
Earnings per share 26.9¢ +28%
"Prospects. The property division expects further enhancement of profits in the second half-year as a result of sales of residential development properties and growth in net rental income. Operating profits at Cathay Pacific Airways are expected to be higher in the second half-year due mainly to seasonal factors. although yields are expected to remain under pressure and certain markets remain very soft. Profits from Hong Kong Aircraft Engineering Company are expected to be broadly in line with 1996. The results from operations of the remaining divisions are expected to improve in the second half-year."
P D A Satch
Chairman, Swire Pacific Limited
Hong Kong, 7th August 1997
Notes:
1. Amounts per share refer to 'A' shares. Entitlements of 'B' shareholders are in proportion 1 to 5 compared with those of 'A' shareholders.
2. All the above figures have been translated from Hong Kong dollars into United States dollars at an exchange rate of US\$1 = HK\$7.80.
3. Dividends are declared in Hong Kong dollars.

Jobs confirms sale of Apple holding

By Louise Kehoe in San Francisco

Mr Steve Jobs, the co-founder of Apple Computer - and now unofficial leader of the struggling personal computer industry pioneer - sold all but one of his Apple shares in June.

The sale, revealed yesterday, came just two months before last week's unveiling of the surprise alliance between Apple and Microsoft and the boardroom shake-out that have boosted Apple's share price.

Mr Jobs sold the 1.5m shares he received as part of the \$24m Apple

paid him in December for NeXT Software, for about \$22m, or \$15 a share. Mr Jobs formed NeXT, a computer company that attracted world-wide attention but few customers, when he was ousted from Apple in a boardroom battle in 1985.

Following last week's announcement of the Microsoft alliance, Apple's shares peaked at \$30 on Thursday. Yesterday, the stock was trading at about \$24.

"I pretty much had given up hope that the Apple board was going to do anything," Mr Jobs said in an interview published by

Time magazine. "I didn't think the stock was going up."

However, in July Apple's board forced out Mr Gil Amelio, the chairman and chief executive, apparently raising Mr Jobs' optimism about the outlook for the company.

Mr Jobs went on to seal an agreement with Microsoft - which has traditionally been seen as the enemy by Apple's fiercely loyal customers. As part of the deal the software company invested \$150m in Apple shares.

Mr Jobs - who was last week named a member of the Apple

board along with others including his friend Mr Larry Ellison, the head of Oracle - now holds a single share of Apple stock as a symbolic gesture. "If that upsets employees, I'm perfectly happy to go home to Pixar," he told the magazine, referring to the film animation company of which he is chief executive and which he nurtured with 10 years of personal investments before its public stock offering to go home to Pixar.

Pixar created the hit film *Toy Story*, the world's first computer animated feature film. Mr Jobs' comments confirm widespread speculation in the

industry that he had sold his Apple stock. The episode also demonstrates that his new-found faith in Apple's future is very recent.

Mr Jobs' personal holdings of Apple shares may be set to increase. As a board member, he will receive stock options in lieu of cash payments.

Separately, Mr Jobs last week shifted Apple's \$60m US advertising account to TBWA Chiat/Day. The agency had previously worked for Apple in the mid-1980s when it created the Orwellian 1984 television spot that was named the commercial of the decade for the 1980s.

Peru miner embarks on expansion

SPCC is investing \$1.5bn to increase copper throughput

Charles Preble, the head of Peru's leading mining company, has good reason to smile. Buoyed by good first-half results, Southern Peru Copper Corporation, the company he has served for 32 years, has embarked on a \$1bn-plus two-stage expansion programme.

The investment by SPCC - one of the world's 10 largest copper mining companies, and controlled by Asarco, the US metals group - is enormous by Peruvian standards.

"Barring unforeseen financial problems or a massive drop in the international copper price, that expansion will definitely go ahead, to be completed by 2001," says Mr Preble.

"The next stage, involving a further mine expansion costing \$750m, will be done if the copper prices are right."

Part of the first phase - expansion at Cuajone, one of the two huge open-pit mines operated by SPCC - got under way in May. It will increase daily throughput of copper ore from 64,000 tonnes to 96,000 tonnes and provide SPCC with sufficient of its own concentrate, an intermediate material, to feed its vast smelter in the coastal town of Ilo. At present SPCC is buying in concentrate to keep operating at capacity.

The 37-year-old smelter will be extensively modernised. Installing a new flash

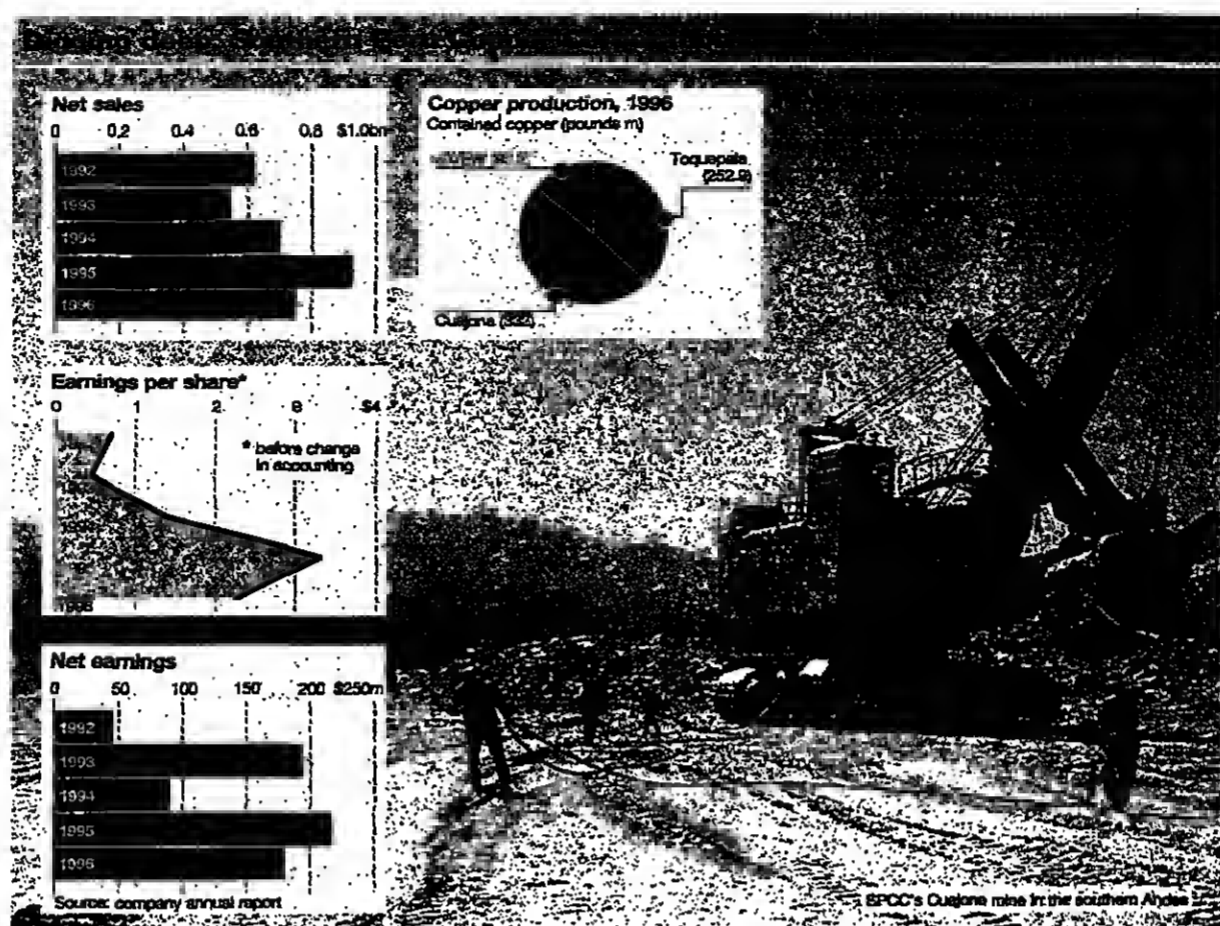
furnace, using technology from Outokumpu of Finland, and building a second sulphuric acid capture plant will cost an estimated \$75m.

The new smelter should go some way to silencing the criticism, in Peru and abroad, that a US-owned company operating in a developing country has been creating pollution levels that would not be permissible in its own back yard.

SPCC's first sulphur dioxide-capturing plant, which has been operating for almost two years, is already being expanded. The new one - which will feed off the "enriched smoke" of a modern furnace - will enable 69 per cent of all sulphur dioxide produced by the smelter to be caught and converted into saleable sulphuric acid.

SPCC consumes some of Ilo's sulphuric acid in its highly profitable operation at the Toquepala mine, where copper is produced by the solvent-extraction/electrowinning process. The remainder is sold to other Peruvian and Chilean copper leaching operations. But with projected output of one million tonnes of acid a year by 2001, Ilo will have to seek new export markets.

Finance for the planned investment is already secure. SPCC has obtained a \$600m back-up facility in what is believed to be the largest syndicated loan for a private company in Peru. The loan was arranged by



J.P. Morgan and involved five other banks.

SPCC has also made two bond issues - one internationally for \$150m and another for \$50m in the Peruvian market.

Mr Preble stresses that SPCC has plenty of "cash in the bank". Net profits for the first half of 1997 were \$115.4m on sales of \$441m, compared with net profits of \$94.3m on earnings of \$368.6m in the same period last year.

Having spent much of the past 40 years in what has always been a tough local environment - and one which is often openly hostile to foreign investment - SPCC suddenly finds itself able to concentrate on its core business. In a deal finalized earlier this year, the 130MW generation facilities

It has operated for decades to ensure reliable energy supply were spun off for about \$44m to Powerfin, of Belgium.

Under a 20-year contract, Powerfin, a subsidiary of Tractebel, has guaranteed to meet SPCC's power requirements. "With the privatisation of the Peruvian energy sector and the arrival of independent power producers, it makes sense to put our energy needs in the hands of others," says Mr Preble. He estimates that additional investment in generation to meet soon-to-be-expanded production would have cost SPCC some \$500m.

Powerfin is evaluating construction of a coal-fired plant on the Peruvian coast to supply SPCC and others. This would burn coal imported from Colombia. An alternative could be to link up with the Shell-Mobil consortium's planned development of the huge Camisea natural gas deposits in eastern Peru.

Mr Preble talks with cautious enthusiasm of the possible expansion of the Cuajone mine and concentrator after 2001. Lifting throughput to 154,000 tonnes a day would be a "big job", he admits, "but over the past five years we have identified massive reserves, especially in the Cuajone area. Even at that level of exploitation, Cuajone would

have a life of at least 25 years."

SPCC has continued to explore all over Peru. Further advanced is the Tanta-huayta gold-copper project in the north of the country, where it is working with Buenaventura, joint owner of the big Yanacocha gold mine.

For old-timers like SPCC, the recent influx to Peru of leading international mining companies - such as Newmont Mining and Barrick Gold - simply underlines what they have appreciated for a long time.

"In mining terms, Peru is one of the world's most interesting opportunities," says Mr Preble.

Sally Bowen

IBCA and Fitch in discussions over merger

By Tracy Corrigan in New York

Fitch Investors Service, the New York-based rating business, is in merger discussions with IBCA, the London-based rating service, the companies announced yesterday.

Officials at IBCA said that the talks were at an early stage.

The combination could pose a competitive threat to Standard &

Poor's and Moody's, the two dominant international rating agencies owned by Dun & Bradstreet and McGraw-Hill, respectively.

IBCA is owned by Fimalac, a French holding company controlled by Mr Marc Ledret de Lecharrière with interests in industry, communications and market research.

Fitch is majority owned by Van Kampen Group, a Michigan-based

family company - but part of the company is held by executives and staff.

According to officials close to discussions, the deal would involve the sale of Van Kampen Group's stake in Fitch.

The agencies would make a logical fit, since Fitch concentrates its efforts in the domestic US market, while IBCA specialises in rating the debt of financial institutions

and countries. Fitch rates a wide range of securities in the US market, where it is recognised by the Securities and Exchange Commission.

Many investors rely on credit ratings when they decide the value of corporate and other bonds, and many bond funds have investment criteria based on bond ratings.

For example, they may not be allowed to buy bonds rated below

a certain level. These ratings are therefore important to companies and other borrowers, since they help determine the market rates at which they can raise financing.

IBCA has 200 staff and has a small New York office.

Fitch employs 350 staff and opened a London office in January 1996.

In 1996, Fitch had revenues of \$65m and profits of \$10m.

Falling crude reserves fuel interest in oil sands

By Scott Morrison in Vancouver

The pace of development in northern Alberta's heavy oil sector has accelerated with plans by Suncor Energy, Canada's fourth largest producer, to invest \$2.2bn (US\$1.5bn) to boost its oil sands output by 250 per cent by 2002.

Suncor is the latest of several recently announced investments, totalling more than \$67bn, reflecting a growing commitment by the nation's producers to the heavy oil deposits in Alberta's Athabasca region.

Producers mine sand laden with bitumen, which must be refined to produce synthetic crude oil.

Suncor's investment, adding to \$600m in expansion projects already under way at its oil sands facility in Fort McMurray, Alberta, will enable it to increase heavy oil production to 210,000 b/d in 2002, from the current rate of 85,000 b/d. Project plans feature an expanded mine, new mining equipment, increased steam and utilities support and twinning of the bitumen extraction and upgrading processes.

Suncor expects increased production will bring economies of scale that will send cash costs per barrel to record lows. When the 210,000 b/d target is reached,

the company estimates its cash costs will be less than \$11 a barrel compared with \$15 a barrel for conventional oil.

At this cost, products from the company's oil sands business would be competitive with most sources of crude in North America.

Mr Rick George, Suncor president and chief executive, said the \$2.2bn investment was expected to generate a return on capital greater than 15 per cent, more than double the average rate of return for the Canadian conventional oil and gas sector.

"With this project we are truly seeing the coming of age of the Canadian oil sands industry," Mr George says.

Both Mobil Oil Canada and Shell Canada, a subsidiary of Royal Dutch/Shell, this year announced plans to invest \$1bn each to build facilities in the area. Imperial Oil, Canada's largest oil producer and a subsidiary of Exxon, is awaiting regulatory approval for a \$440m expansion of its heavy oil extraction operations. Syncrude, a consortium of 10 companies, last year announced plans to spend \$2bn over five years to lift oil sands production.

The race to exploit Alberta's oil sands comes just five years after Suncor appeared set to shut down its heavy oil operations in the province. Although production

had increased steadily over the years and the operation turned profits in strong oil markets, the company's facilities experienced reliability problems, reserves were diminishing and fixed costs were high.

But new technology, simplified fiscal arrangements, an increasing US appetite for heavy crude and a proliferation of pipelines to the US market have fuelled the growing interest in the region. More important, Canadian government data indicate that the nation's proven reserves of conventional crude fell from 7.8bn barrels in 1976 to 5bn barrels in 1996. Some analysts estimate that Canada will exhaust its proven conventional reserves within 10 years at present production levels.

The Athabasca oil sands are believed to contain enough bitumen to produce more than 200bn barrels of heavy oil, of which about 25bn can be extracted with mining techniques. The remainder could be extracted using injection technology.

Industry sources predict that oil sands production, which currently amounts to 23 per cent of Canadian petroleum production, could eventually account for more than 50 per cent of output and become an important source for the US market.

AMERICAS NEWS DIGEST

Currency loss hits PacifiCorp

PacifiCorp Holdings, a wholly-owned subsidiary of PacifiCorp, the Oregon-based multinational utility, said yesterday it would record an after-tax loss in the third quarter of nearly \$65m from a currency hedge transaction related to its tender offer for Energy Group, the UK-based energy company. The loss stems from a delay in UK clearance of the deal, which required the company to close out currency options positions, PacifiCorp said in a statement.

In June, when the tender offer was made, PacifiCorp expected its currency exchange costs would total about \$27m after-tax. The company said UK takeover rules required it to show it had enough UK currency to buy the Energy Group shares and to eliminate the risk of a fluctuation in exchange rates between the time of the offer announcement and the expected close of the offer. PacifiCorp's financial policies also required hedging of exchange rate fluctuation risk, the company said.

As a result, PacifiCorp purchased options to buy about £1.45bn (\$2.37bn) at an effective exchange rate of \$1.64. The options were subsequently converted to forward purchase commitments in an attempt to minimise the cost of the hedge transaction.

PacifiCorp offered about \$9.6bn, including assumption of debt, for the UK group, which owns Eastern Electricity, the UK's largest utility in terms of distribution territory, as well as Peabody Coal, the world's largest privately-owned coal producer. But on August 1, Mrs Margaret Beckett, the UK trade and industry secretary, referred the deal to the Monopolies and Mergers Commission, citing concerns relating to the adequacy of regulatory control over the merged company. The referral automatically lapsed PacifiCorp's tender offer.

Because the tender offer lapsed, PacifiCorp said financial policies required closing of the currency exchange positions since they were no longer hedging an expected transaction and would, therefore, be speculative.

PacifiCorp said that when it initiated steps to close out the currency exchange positions, the dollar-sterling exchange rate was around \$1.63. But by the time the positions were closed, the rate had fallen to around \$1.58, resulting in an after-tax loss of nearly \$65m. Furthermore, the cost of the initial options was about \$9m after-tax.

If PacifiCorp successfully renews its offer following the MMC review, it will again be required to enter into foreign exchange positions. Reuters, Los Angeles

COMPUTERS

Digital to sell printer side

Digital Equipment, the US-based computer group, has agreed to sell its printer business in an effort to boost its profit margins, and is reported to be seeking a buyer for its networking equipment operations.

The printer business, which has revenues of about \$100m a year, is to be acquired by Genicom for an undisclosed amount. The networking equipment business has annual revenues of about \$600m and employs about 1,200 people. However, it has been losing ground to competitors such as Cisco and Bay Networks and is reported to be operating at a loss. According to US reports, Digital has been seeking a buyer for several months, but has yet to complete a deal. Louise Kehoe, San Francisco

OIL

Pemex sets up credit line

Petróleos Mexicanos (Pemex), Mexico's state oil monopoly, has secured a \$1bn syndicated credit line to raise funds for investment in two of its biggest projects. The credit line is made up of two tranches: \$650m available for three years and \$350m over five years. The syndicate is made up of 26 banks divided into three groups and includes among the lead banks Chase Manhattan, J.P. Morgan, Citibank, ARN Amro, Bank of America, Bank of Tokyo Mitsubishi and DBS.

The credit line comes as part of Pemex's biggest programme of investment for almost two decades. The drive, which saw the company invest \$1.4bn during the first half of this year, has been spurred by efforts to increase total oil production and to boost the extraction and use of natural gas instead of dirtier fuels.

Part of the money raised will be used in the expansion of Pemex's oil field in Cantarell in the Campeche Sound, one of the world's biggest petroleum deposits. The rest will go towards natural gas extraction in Burgos, northern Mexico, an activity in which Pemex has not traditionally invested heavily.

The aim of increasing production is particularly important to the Mexican government, which received 77bn pesos (\$9.65bn) from Pemex in taxes and duties over the first half of the year. During that time, a fall in the world price of crude brought the company's export revenues down 3 per cent from the same period in 1996 to \$1.5bn, in spite of an 8 per cent increase in volume. Daniel Domyey, Mexico City

CHEMICALS

BASF in Brazilian buy

BASF, the German chemicals group, has acquired the polystyrene business of Companhia Brasileira de Estireno (CBE), a joint venture between Monsanto, the US chemicals and life sciences group, and Unigel of Brazil.

Neither party would reveal the size of the acquisition, which gives BASF a productive capacity of 60,000 tonnes per year and makes it the second largest polystyrene producer in Mercosur, the South American trade grouping of Brazil, Argentina, Uruguay and Paraguay.

BASF said it had made the acquisition because of the strong growth in the Brazilian plastics market due to the growing demand for white goods and cars. Formerly the company had imported polystyrene.

The group, which is the biggest plastics producer in Europe, opened a polystyrene plant in Mexico last month. The Brazilian acquisition gives it a factory in São José dos Campos in São Paulo state. It said the deal was the first of several new investments in the region. Geoff Dyer, São Paulo

FOOD PROCESSING

ADM in IBP investment

Archer Daniels Midland, the Decatur, Illinois-based food company which has been hit by federal price-fixing charges over the past two years, said yesterday that it had raised its stake in IBP, the quoted Nebraska-based meat packing and processing company, from around 6 per cent to 7.23 per cent. ADM, which has been on the acquisition trail recently, said that it held the shares for "investment purposes". Nikkei, Tokyo

*CUSIP NO. 337751AA9
*ISIN CH0008756014

NOTICE OF REDEMPTION TO THE HOLDERS OF

Fisher Brothers Financial Realty Company

10% Secured Notes Due 2000
Dated December 17, 1985
Due December 17, 2000

Redemption Date: September 11, 1997

NOTICE IS HEREBY GIVEN THAT, pursuant to Section 3.01 of the Indenture (the "Indenture") dated as of December 17, 1985 between Fisher Brothers Financial Realty Company (referred to herein as the "Company") and Chemical Bank (now known as The Chase Manhattan Bank), as trustee thereunder, pursuant to which the Company's 10% Secured Notes Due 2000 (the "Notes") were issued, the Company has elected to exercise its option to redeem the Notes in whole and does hereby call all of the principal amount of the above-described Notes for redemption on September 11, 1997 (the "Redemption Date") at a redemption price (the "Redemption Price") equal to 101.5% of the principal amount thereof plus accrued interest to the Redemption Date. Accordingly, on September 11, 1997, the Redemption Price will become due and payable on each Note and interest thereon will cease to accrue on and after said date.

On September 11, 1997, all Notes in registered form will become due and payable upon presentation and surrender thereof at the offices of The Chase Manhattan Bank, as follows:

| | | |
|---|--|--|
| By Mail: The Chase Manhattan Bank c/o Texas Commerce Bank Corporate Trust Services P.O. Box 219022 Dallas, Texas 75221-9022 | By Hand: The Chase Manhattan Bank Corporate Trust Securities Window 55 Water Street, 2nd Floor Room 294-North Building New York, New York 10041 | By Courier: The Chase Manhattan Bank c/o Texas Commerce Bank Corporate Trust Services 1291 Main Street, 19th Floor Dallas, Texas 75202 |
|---|--|--|

On September 9, 1997, all Notes in bearer form (together with the December 17, 1997 and subsequent coupons attached) will become due and payable upon presentation and surrender thereof at one of the following locations:

| | |
|---|---|
| Union Bank of Switzerland Bahnhofstrasse 45, P.O. Box CH-8001 Zurich | Union Bank of Switzerland 100 Liverpool Street GB-London EC2M 2RH |
| Banque Internationale a Luxembourg SA C.P. 2205 Route d'Esch L-2953 Luxembourg | Morgan Guaranty Trust Company of New York 35, Avenue des Arts B-1040 Bruxelles |

FISHER BROTHERS FINANCIAL REALTY COMPANY

Dated: August 12, 1997

Under the Interest and Dividend Tax Compliance Act of 1983, the Company may be required to withhold 31% of any gross payments made to certain holders who fail to provide the Company with, and certify under penalty of perjury, a correct taxpayer identifying number (employer identification number or Social Security number, as appropriate) or an exemption certificate on or before the date the securities are presented for payment. Please therefore provide the appropriate certification when presenting your Notes for payment.

These CUSIP and ISIN numbers have been assigned to this issue by an organization not affiliated with the Trustee and are included solely for the convenience of the securityholders. Neither the Company nor the Trustee shall be responsible for the selection or use of the CUSIP and ISIN numbers, nor is any representation made as to their correctness on the securities or as indicated in this redemption notice.

هكذا من الأهل

Huizenga determined to try harder

His car rental business has rapidly become the world's second biggest; now he wants to build the brand, writes Roger Taylor

Yesterday's \$95.1m (\$185m) purchase of Eurodollar yesterday marked another stage in the plan of Mr Wayne Huizenga, the US entrepreneur behind the Blockbuster video chain, to build a global car rental brand to rival Avis and Hertz.

The acquisition significantly expands the European operations of Republic Industries, in which Mr Huizenga, chairman, has a 10 per cent stake. It is already the world's second largest car rental business after buying five US businesses including Alamo and National Car Rental.

Of the US businesses, only Alamo has a significant presence in Europe, with 33 offices in the UK. Eurodollar would give it a more substantial European base and take it into a new section of the market.

Alamo is primarily in the leisure market, renting cars to people on holiday, whereas most of Eurodollar's customers are corporate.

Mr Geoff Corbett, head of Republic's car rental division in Europe, said that the Alamo brand would be kept separate and promoted to the leisure market, while Eurodollar would become part of a global corporate business yet to be named.

Mr Ian Mosley, chief executive of Eurodollar, expects to gain two important advantages from this - more business from people arriving in the UK and greater credibility with its domestic customers.

Eurodollar has far fewer "inbound" customers than its competitors - they account for only about 5 per cent of turnover. It has blamed its link with Dollar

in the US, through which it offers a US service and has complained of the relationship which generated little business for it. Mr Corbett believes that Republic can increase fivefold the amount of inbound business coming to Eurodollar.

The takeover by Republic should also help Eurodollar with its UK customers, Mr Mosley said, pointing out that UK corporates increasingly wanted to deal with global businesses.

These two factors, together with a certain amount of cost savings as back-office and purchasing operations of Alamo and Eurodollar are combined, are the justification for the takeover put forward by the company.

But that still leaves open the question of where longer term growth will come from. Republic's US shareholders expect high levels of growth - one analyst quotes five-year of earnings growth of 40-60 per cent. The car rental market, with annual growth rates below 10 per cent, may seem a strange place to invest.

Analysis argues the entire dynamics of the industry are changing, which should allow companies to raise profitability. Most of the large rental businesses have changed hands in recent months. Ford has sold Budget and floated part of Hertz.

General Motors has sold its stake in Avis and Chrysler is seeking to sell its hire units Thrifty and Dollar.

This change in ownership is expected to result in increased profitability. Whereas car manufacturers used their car rental arms as a way to increase market share at the expense of profit, the new owners will need to pursue profit, the theory goes.

Rental prices are starting to recover and are estimated to have risen about 10 per cent over the past year, following fierce price competi-



Wayne Huizenga: the changing dynamics of the car rental industry should lift profitability

tion which saw the cost of a car for a day fall as low as \$20 - less than the price of hiring a pair of Rollerblades.

Republic said yesterday it believed it could substantially improve Eurodollars margins, currently among the best in the industry, but said it had set itself no target.

Margin improvement and innovation could go some way towards expanding the business, but in order to meet shareholders expectations, Republic will need to continue acquiring businesses.

Mr Corbett said yesterday the industry was still relatively fragmented, with plenty of scope for further acquisitions.

Republic is doing more than just building a car rental business. In the US, it is creating an integrated car rental and car retailing business, including the revolutionary AutoNation used-car supermarkets with a focus on improved customer service and "haggle-free" pricing. The car rental businesses provide a ready supply of used cars.

Republic has said its plans in Europe only cover the car rental business at the moment. But it would be no surprise if at some point it were to start buying car retailers as well as car rental companies.

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Further casino licence for Ladbroke

By Scheherazade Daneshkhu, Leisure Industries Correspondent

The fastest pace of change in the £1.7bn (\$2.77bn) London casino market was underlined yesterday when Ladbroke, the Hilton hotels and betting group, was granted a licence to operate a fifth London casino.

The licence, the first to be granted in London in nine years, came as speculation grew that Ladbroke was considering a bid for Capital Corporation, the Mayfair casino operator saved last week by the Department of Trade and Industry from a £192m hostile bid by London Clubs International.

Ladbroke refused to comment, although it is understood to be monitoring the situation closely.

Capital Corporation operates the Colony Club and owns Crocksford, London's only freehold casino property. Although Ladbroke has been reluctant to get involved in a bidding war with London Clubs, it is thought to be keen on acquiring Capital's Colony Club and transferring the licence into its Hilton hotel, situated across the road.

London Clubs, which operates the Rendezvous casino in the Hilton, will transfer the licence to a new building nearby at 14 Old Park Lane once the lease expires in March 1998.

Obtaining new licences, particularly at the top end of the market, is extremely difficult in the tightly-regulated industry. Transferring licences from one area to another is also difficult.

Ladbroke's new licence is to operate a casino in the St Giles hotel, off Tottenham Court Road. It will raise the number of London casinos from 21 to 22 when it opens next year.

Ladbroke's pledge that the casino will operate at the lower staking end of the market is thought to have been instrumental in securing the licence.

NEWS DIGEST

US injection for Lloyd's agency

Murray Lawrence, the biggest managing agency at Lloyd's of London yet to link up with a large corporate investor, is to receive a cash injection of \$40m (\$65.2m) from two US-based investors who will receive a minority stake. The deal is another example of the widespread restructuring at Lloyd's, which is creating nascent insurance companies out of the businesses which manage syndicates at the market.

It will give Murray Lawrence a much needed fresh supply of capital and greater control over funds which back the insurance business underwritten by its big Sextant syndicate.

A group of investors, led by State Farm, the US motor and household insurer, and financial services group Fund American, is to take a "significant interest" in Murray Lawrence, which has been trying to find a corporate partner for some time. Capital at Lloyd's has traditionally been supplied by individuals called Names but their numbers have declined, to be replaced by corporate investors, many of which have formed strong ties with managing agents.

Christopher Adams

Premier Farnell warning

Premier Farnell, the catalogue distributor of electronic and industrial components, yesterday reported moderate sales growth in the first half, but said profits would be affected by the strength of sterling.

The group's first trading report, in what is planned to be a quarterly series of updates, noted that sales in North America for the first six months were 3.5 per cent ahead of the same period last year, when calculated in dollars. In Europe and the rest of the world, catalogue sales rose 6 per cent at constant exchange rates.

The company, formed last year when the UK's Farnell Electronics took over Premier Industrial Corporation of the US in a £1.85bn deal, has been keen to reassure shareholders about the effect of the purchase.

The shares rose 4p to 536p yesterday. Sander Thoenes

Marley makes \$39m US buy

Marley, the building materials group, is acquiring Flexco, a US flooring business with a wide distribution network. It is paying \$39.2m cash to Robbins, Flexco's parent, pending US regulatory approval. Alabama-based Flexco had net sales of \$35.7m in 1996 and operating profits before exceptional of \$5.4m. The book value of the assets is \$12.5m.

Horace Small may delist

Shares in Horace Small Apparel rose 19 1/2p to 101 1/2p yesterday, after the maker of uniforms and corporate clothing said it was considering delisting. It also announced further restructuring measures.

Horace, which has most of its operations in the US, said it was considering "whether the interests of shareholders would be best served" by delisting in London and, "once the benefits of the restructuring are reflected in trading performance", seeking a listing on an "appropriate exchange" in the US.

It is in discussions "with parties who may be interested in making a cash offer to shareholders who do not wish to own shares in an unlisted company" at about 110p a share, based on a rate of \$1.63 to the pound. The restructuring is expected to cost \$8m-\$10m.

RESULTS

| Company | Turnover (£m) | Profit (£m) | EPS (p) | Current payment (p) | Date of payment | Dividends (p) | Total for year | Total for year |
|-------------------|-------------------|---------------|-----------------|---------------------|-----------------|---------------|----------------|----------------|
| Chorley | 5 mths to June 30 | 37.4 (34.9) | 5.41 (4.96) | 7.8 (7.1) | - | 2.1 | - | 6.5 |
| Dean | 6 mths to June 30 | 16.2 (7.73) | 0.738 (0.353) | 1.131 (0.72) | 0.3 | Dec 12 | 0.2 | 0.5 |
| Diageo | 6 mths to June 1 | 17.8 (12.8) | 1.074 (0.781) | 3.81 (2.8) | 0.8 | Oct 3 | - | 2.5 |
| Kade | 6 mths to June 27 | 9.84 (9.81) | 0.731 (0.729) | 0.62 (0.61) | 0.75 | Sept 11 | 0.75 | 0.1 |
| Lampson Food | 16 mths to Apr 30 | 8.71 (1.92) | 0.678 (0.141) | 0.62 (0.15) | - | - | 0.1 | 0.1 |
| Paul Andrew | Yr to Mar 31 | - | 0.1111 (0.1434) | 0.261 (0.351) | - | - | - | 14.1 |
| Reckitt | 6 mths to June 30 | - | - | - | 1.5375 | Sept 30 | - | 15 |
| Workspace | 3 mths to June 30 | 4.77 (4.01) | 1.36 (1.19) | 6.8 (6) | - | - | - | - |
| Investment Trusts | NAV | £1.00 | £1.00 | £1.00 | £1.00 | £1.00 | £1.00 | £1.00 |
| French Property | 6 mths to June 30 | 87.65 (82.80) | 0.207 (0.118) | 0.83 (0.46) | 0.5 | Sept 12 | 0.5 | 1.95 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. All stock. All after exceptional charge. 10n increased capital. *Comparatives for seven months to December 31 1995. †First interim. ‡Foreign income dividend. ††M December 31.

INTERNATIONAL PEOPLE

Newman joins HSBC Markets

HSBC Markets has appointed Gray Newman as its chief Latin American economist, a newly created post.

The appointment follows the rapid expansion throughout Latin America of the company's parent group, HSBC Holdings, the biggest banking group in the world. It is seen as part of an effort to impose a more integrated approach on the group's activities in the region.

HSBC Markets is involved in both debt and equity markets and Newman's research is also likely to be used by the parent group as it elaborates its overall Latin American strategy.

Newman comes from HSBC Market's subsidiary, HSBC James Capel Mexico, where he worked as senior economist. He previously worked for Grupo Interacciones, a Mexican stockbroker.

A trained lawyer and economist, he is the author of two books on business and economics in Mexico, and had lived for the country for over a decade until his recent move to New York for the new post.

Newman will work with a team

of economists covering specific countries. He proposes to concentrate on wider, pan regional issues such as the sustainability of various currency regimes, and the effects of the large capital inflows that have entered Latin America in recent months.

So far this year HSBC Holdings has committed itself to over \$1bn of investments in Latin America, mostly through acquiring local banks. In line with the expansion the company has reduced its holdings of Latin debt.

HSBC Holdings is in the process of acquiring the Roberts Group, which controls Banco Roberts, an Argentinian bank in which HSBC already has a minority stake. This year it has also purchased a 10 per cent stake in Banco del Sur in Peru and established Banco HSBC Bamerindus in Brazil. It has also agreed in principle to buy 19.9 per cent of Mexico's Grupo Financiero Serfin and agreed to increase its stake in Banco Santiago in Chile.

Daniel Dombey, Mexico City

NEC appoints Sir Richard

Sir Richard Needham, a former UK

government trade and industry minister, has become the first European non-executive director of NEC, the Japanese electronic group.

NEC has been investing heavily in Europe and has been seeking to recruit more Europeans to its senior management in the region. The group said it saw the appointment of Sir Richard as an important milestone in its plans to develop the business in Europe.

Sir Richard, 61, is a former member of the Anglo-Japanese 2000 group and has long strong business and government contacts in Asia Pacific.

Sir Richard said: "I have been involved in improving co-operation between Japan and the UK for well over a decade. NEC has been a good friend to the UK and I believe there is still a tremendous amount to do in helping NEC expand its business both in the UK and throughout the European Union."

Meggit, the UK aerospace and electronic group, will also be drawing upon Sir Richard's expertise.

It has appointed him a special adviser to assist in a new venture in Asia Pacific. The group is opening a sales and marketing office in Singapore to spearhead its busi-

ness in the region. The new subsidiary company will be called Meggit Asia Pacific and will be headed by Mike Farga, formerly group director of marketing.

Sir Richard last week announced that after one year's service he was resigning from the board of General Electric Company where he has been chairman of GPT, the GEC telephone equipment joint venture.

The departure enabled him, he said, to accept other non-directorships.

The board of GEC is being reshaped by George Simpson, who replaced Lord Weinstock as managing director last year.

Some hoed changes have occurred already, with a clutch of non-executive retirements in the pipeline, including Lord Rees-Mogg, who retires this September.

Lord Prior, GEC's chairman, is due to retire by March 1998, with no successor named yet.

Lisa Wood, London

AlliedSignal expands in Asia

AlliedSignal has appointed James Healy to head its expanded effort

in speciality chemicals in Asia. Healy will be based in Singapore as vice-president and general manager, Asia.

Healy has joined the firm from Metex Corporation, a New Jersey-based manufacturer of knitted wire mesh products, where he was president and chief executive officer.

He has previously worked in Asia, as vice-president, Asia Pacific, for Engelhard, a supplier of catalysts. He was responsible for Engelhard's Asian sales and marketing strategy.

"Specialty Chemicals" goal is to more than double Asian sales by expanding our customer base and acquiring businesses and product lines that add value to our core capabilities in pharmaceutical and agricultural intermediates, specialty additives, fine chemicals and fluorine products," said Paul Norris, president of AlliedSignal Specialty Chemicals.

AlliedSignal Specialty Chemicals is a unit of AlliedSignal, the technology and manufacturing company which is one of 30 US companies which make up the Dow Jones Industrial Average. The company had sales of \$14bn in 1996 and employs 77,000 people.

Tracy Corrigan, New York

ON THE MOVE

NRG ENERGY, the US

independent power producer, has appointed James Bender vice-president and general counsel. Bender returns to NRG after serving for one year as general counsel of AlliedSignal's Polymers division in Richmond, Virginia.

■ JOMEGA CORPORATION has appointed Kevin O'Haire managing director of Jomega International. He will be responsible for all European operations, including sales and marketing functions. O'Haire has been acting managing director of Jomega Europe since August 1996.

■ Erhard Schimpf, chairman of the executive boards of VARTA AG and VARTA Batterie AG, has asked to be relieved of these functions with effect from September 30 in order to join the executive board of another group. His functions are being taken over for the time being by the two other members of the executive boards, Wout van der Kooij and Georg Prihoffer.

■ DELL COMPUTER CORPORATION, which has formed a workstation, product organisation, has promoted David Altounian to director for workstations.

Jean-Yves Chéreau has

been appointed managing director of PRICOA INVESTMENT MANAGEMENT, the London-based European equity asset management arm of Prudential Insurance Company of America.

■ TAL INVESTMENT COUNSEL has appointed Kevin Doyle, who joined TAL in January, managing director of TAL (Europe), based in Geneva. He replaces André Monette who returns to Montreal having established the Geneva office in 1996.

■ THE FAIRFAX GROUP, has appointed Robert Ross director of trade secret protection services and senior consultant. He will be responsible for helping Fairfax's corporate clients develop programs to protect trade secret and other sensitive proprietary information from economic espionage. Ross spent more than twenty years in the FBI.

■ Michael Barnes has been appointed assistant general manager, origination and structuring, by THE INDUSTRIAL BANK OF JAPAN's London branch. Barnes joins from Lazard Asset Management.

AON CORPORATION has

appointed John Raskopf director of financial relations. He was most recently managing director of risk management consulting services with Aon Risk Services. Aon's retail brokerage subsidiary.

■ TOKAI BANK EUROPE, and TOKAI CAPITAL MARKETS have appointed Dan George general manager and head of client derivatives. He has spent the last 10 years structuring and trading derivatives at HSBC Midland.

■ INTERLEAF, the software group, has appointed Chris McKee vice-president of Europe, Middle East and Africa. McKee was previously international vice-president and an executive officer of Inference Corporation, a provider of management software and services.

■ EUROPEAN TELECOM has appointed Edward Belgeonne to its board. He joined European Telecom in July 1996 and in January this year he became head of business development.

■ CREDIT LYONNAIS, Paris, has appointed Roger Warby, formerly first vice-president, project finance, managing director of AMI ADVISORY

PRIVATE, Singapore. AMI

Advisory is the management company serving the new Asian Mezzanine Infrastructure Fund, sponsored by Credit Lyonnais to channel institutional investors' funds into infrastructure projects in the Asian emerging economies.

■ SIEMENS, Berlin and Munich, has appointed Peter Pribilla, president of the Public Communication Networks Group, to the company's corporate executive committee from October 1. Walter Kuzmarth, member of the committee since 1993, will leave the company on that date.

Pribilla, member of the managing board of Siemens since 1994, will take over special responsibility for automotive systems, as well as the three groups in the components segment: Semiconductors, Passive Components and Electron Tubes, and Electromechanical Components. The new president of the Public Communication Networks Group will be Roland Koch, who has served on its board since 1995.

■ Dan Cohrs has been named vice-president and chief planning and

development officer of GTE

CORPORATION. Previously, he served as vice-president and treasurer.

■ Deodoro Valle, 57, has been appointed vice-president of COCA COLA's marketing division and director of marketing relations at Coca Cola International. He was most recently chairman of Coca Cola France. Malcorps, 43, will replace him as president of Coca Cola France. Malcorps has worked for BASF since 1997.

■ BNG, the Dutch bank, has appointed Piet Hein Verloop, 48, first vice-president of its treasury division. Verloop has been with BNG since 1994.

■ CREDIT SUISSE FIRST BOSTON has formed a global foreign exchange research and strategy group in London and appointed Joe Prendergast its head. He was formerly senior currency strategist at Merrill Lynch in London.

■ DEUTSCHE BAHN's has appointed Johannes Ludwig, a former official in the economy ministry, chairman. He replaces Heinz Dürr, chairman since 1991.

■ Didier Forget, 39, who joined GEC Alsthom in 1988, has been appointed

managing director for

high-powered gas turbines for the energy production division at GEC ALSTHOM. He has also been named chairman of European Gas Turbines. He succeeds Bertrand de Saint-Julien, who has been appointed international director at GEC Alsthom.

■ Bruno Didier has been appointed central marketing director at AIR FRANCE. His task is to give the airline a strong global image based on its French identity. He joins from the French subsidiary of Compaq Computer.

■ Car hire company ADA has appointed Jean-Jacques Angier group chairman. He replaces Jean-Claude Puerto-Salvati, one of the company's founders. Angier was chairman of the G7 group from 1992 to 1996.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to "fine".

NATIONAL BANK OF CANADA

US\$ 250,000,000 Floating Rate Notes due 1999

In accordance with the Description of the Notes, notice is hereby given that for the interest period from August 12, 1997 to November 12, 1997 the Notes will carry an interest rate of 5.31875% per annum.

The Interest Amount payable on the relevant Interest Payment Date, November 12, 1997 will be US\$ 151.26 per US\$ 10,000 principal amount of Note and US\$ 1,512.57 per US\$ 100,000 principal amount of Note.

The Calculation Agent is KPMG Luxembourg

CARIPLO

US\$200,000,000 Floating rate depositary receipts 1998 issued by

The Law Debenture Trust Corporation plc evidencing entitlement to payment of principal and interest on deposits with Cariplo-Cassa di Risparmio delle Provincie Lombarde S.p.A., London Branch

Notice is hereby given that the receipts will bear interest at 6.08975% per annum from 12 August 1997 to 12 November 1997. Interest payable on 12 November 1997 will amount to US\$155.73 per US\$100,000 and US\$1,557.23 per US\$100,000 receipt.

Agent: Morgan Guaranty Trust Company JPMorgan

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Republic of Austria

US\$ 300,000,000 Floating Rate Notes due 2003

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending 28th January, 1998 has been fixed at 5.2625% per annum. The interest accruing for such six month period will be US\$ 384.33 per US\$ 10,000 Bearer Note and US\$ 3,843.33 per US\$ 100,000 Bearer Note on 28th January, 1998 against presentation of Coupons No. 10.

Global Bank of Switzerland London Branch Agent Bank 28th August, 1997

UBS

COMMODITIES AND AGRICULTURE

Report sees Chinese imports lifting copper

By Kenneth Gooding,
Mining Correspondent

China, currently the key influence in the copper market, needs to import about 400,000 tonnes net of refined copper this year, according to an analysis by Bankers Trust, the investment bank.

Net imports in the first four months reached only 22,300 tonnes, so the balance will be imported in the second half and

"this is expected to put substantial upward pressure on the price", said analyst Ms Virginia Howarth.

Bankers Trust suggests that before the year-end global copper stocks will fall to a level representing only 2.3 weeks of consumption. "At these historically low stock levels, there is likely to be a high degree of price volatility," Ms Howarth warns in the bank's latest Copper Update.

Ms Howarth also suggests there is likely to be a shortage of physical copper, and this will cause an increase in the backwardation - the premium for copper for immediate delivery compared with three-month metal.

She is forecasting that copper will move up to \$2,646 a tonne before the end of this year and to \$2,976 in 1998. Copper for delivery in three months on the LME ended last night at \$2,274.

Bankers Trust completed in May a detailed examination of China's role in the copper market, an exercise sparked by big differences in that country's official statistics.

Ms Howarth pointed out that China has now revised upwards its estimate of refined copper consumption this year, from 880,000 tonnes to 1.2m tonnes. This compares with a Bankers Trust estimate in May of 1.3m tonnes.

Chinese forecasts put consumption this year at 1.412m tonnes and next year at 1.596m tonnes, against production of 1.166m and 1.215m tonnes respectively.

Not all analysts agree with Bankers Trust. At Merrill Lynch, Mr Ted Arnold said it was unlikely that "the Chinese will come in as strong buyers of [refined] copper in the next few months and suck away the bulk of the surplus that is building up".

Chinese imports of copper in forms such as scrap or semi-fabricated shapes in the first five months of 1997 were up 12 per cent to 428,700 tonnes, he said.

But Mr Arnold suggested that London Metal Exchange copper stocks needed to be 400,000 tonnes (against 250,400 tonnes yesterday) for backwardation to be eliminated. "Expect to see a backwardation structure in place for 1998 and 1999," he added.

Iraqi oil exports unlikely to hit prices

By Gary Mead

Iraq said yesterday that it expected to ship 30m barrels of crude oil by the end of August, under its agreement with the United Nations to export oil in exchange for food.

Traders said there was likely to be little effect on global oil prices, as they believe that resumed Iraqi exports have already been factored into prices.

October Brent on the International Petroleum Exchange moved seven cents a barrel higher in late trading yesterday, to \$18.72 a barrel.

Some specialists also questioned whether Iraq had sufficient production capacity to pump all the oil within the deadlines set by the UN.

The biggest factor that most specialists are watching for to help them form a view on the direction of prices is the weather in the northern hemisphere.

"The big question as far as prices are concerned is how the weather will behave as we move into the fourth quarter," said one analyst. "A lot of refineries are close to capacity and if we have a harsh winter, that will push prices up sharply."

Russia said yesterday it would be taking more oil from Iraq, which under the UN-sponsored deal is allowed to sell \$2bn of oil over 180 days.

Iraq has until September 5 to meet its \$1bn target for the first three months. It is estimated that the single biggest buyer of Iraqi oil in the first phase of sales, taking an estimated 23 per cent, or 28.5m barrels.

Turkey will be another buyer. The state oil refining company Tupsas signed an agreement yesterday to take 13.5m barrels from the second phase, having bought a similar amount in the first phase.

Rain prompts soyabean fall

By Nikki Tait in Chicago
and Kenneth Gooding

The US soyabean market breathed a sigh of relief yesterday as rains finally fell across the mid-west. On the Chicago Board of Trade, futures prices tumbled, with the August contract losing more than 20 cents to \$7.194 a bushel.

Traders described the new market conditions as more realistic. "We've started to get some weekend rains, and they will be followed by a further weather pattern," said Mr Dale Gustafson, at Smith Barney, suggesting that the conditions should continue for several days. "So the market is down sharply," he added.

The US soyabean market has been extremely volatile. Futures surged two weeks ago, on concerns that hot weather and lack of rain in growing areas would mean reduced autumn harvests, insufficient to ease already tight conditions.

Although growing conditions had been good during the spring season, there were fears that the lack of moisture would adversely affect the crop - particularly in southern Illinois, Iowa and Missouri - as the beans entered the crucial pod development period.

But prices eased last week as forecasts for rain improved, although traders were still saying the week-end weather would be crucial.

By Friday evening, the August contract was trading at \$7.39, down 22 1/2 cents on the week. The November contract ended the week at \$6.37, a loss of 18 cents.

The wetter weather also hit prices of other grains on CBOT. The September corn contract was trading at \$2.476, down 5 1/2 cents, by mid-morning, while the September wheat contract was \$3.66, off 1 1/2 cents.

The rain and associated price falls came just 24 hours before the US Department of Agriculture's release of its August crop report. USDA has previously estimated soyabean production at 2.69bn bushels, although some analysts believe this is on the cautious side.

On the London Metal Exchange nickel prices dropped more than 3 per cent, or by \$225 a tonne to \$6,880, dragged down partly by widespread falls in other metals and partly by worries about overproduction of stainless steel, the biggest consumer of nickel.

Mr Jim Lennon, analyst at Macquarie, the Australian bank, said European production was estimated to have jumped by 15 per cent in the first half of 1997.

Citrus glut puts squeeze on farmers

Florida's citrus groves have been basking in the type of weather that is perfect for producing fat, juicy oranges. But the prospect of yet another bumper citrus crop is putting the squeeze on farmers.

The reason for their gloom is that Florida - which processes more citrus fruit into juice than any other US state - is still awash with juice from last season's crop. Those record yields severely depressed prices for orange juice futures on the New York Cotton Exchange, knocking them from \$1.30 a pound for soluble solids a year ago to about 70 cents a pound today.

According to Mr Joseph Whigham, fruit and vegetable certification officer with the Florida Department of Agriculture and Consumer Services, the 1997-98 harvest, which usually starts in earnest in October, is headed the same way. "Right now, we don't know precisely how well this season will do, but it's looking good and there's been plentiful rainfall."

The 1996-97 season produced a record 235m 90lb boxes of oranges, beating the previous peak of 206.7m boxes in 1980. In spite of frost at the start of this year, which affected five important growing regions in the state, the latest estimates put the harvest starting in October, as high if not higher. Other citrus fruits such as grapefruit are also enjoying another bountiful season.



Bumper crop: record yields have severely depressed prices for orange juice futures

The US Department of Agriculture is due to publish its authoritative crop estimates in the second week of October, when the picture will be much clearer. However, anyone hoping to see a recovery in orange juice futures is probably going to be disappointed.

Most of Florida's fruit (up to 80 per cent in the case of oranges) is processed into juice. The leading processors are already holding large stocks, estimated at more than 13m gallons, from last season. They will be forced to build stocks even further this year.

"Inventories of fruit juice concentrate are now 30 per cent higher than they were this time last year, and will only get bigger," says Dr Philip Lesser, director of economics and market research with the Florida Citrus Development.

According to Dr Lesser, Florida's citrus farmers are under pressure from two directions. Their ability to produce bumper crops means low prices, as fruit juice processors point to unsold stocks.

At the same time, the federal government is trying to raise the US market to greater competition from other leading citrus growers, particularly Brazil and Mexico. While almost all Florida's juice is consumed domestically, Brazilian and Mexican producers are looking to export more of their processed juice.

The long-term implication is that Florida's citrus farmers - who claim that their currently protected status is necessary as their costs and production standards are higher than their international competitors - will be under severe pressure.

Florida produces 30-35 per cent of the world's citrus crop, and Brazil 30-35 per cent, and both are in a back-to-back bumper crop situation," says Dr Lesser. He adds that while world demand has been increasing, that acceleration is likely to be insufficiently rapid to soak up the citrus glut.

A second successive extraordinary citrus harvest will, therefore, not only leave orange juice futures in the doldrums, it may also seriously damage Florida's economy, where citrus production takes second place only to tourism in terms of revenue generation.

"We calculate that 125,000 people owe their livelihoods to citrus and, using the multiplier effect, the industry is probably worth \$8bn to Florida," says Dr Lesser.

"We are already seeing the transfer of ownership of businesses, with some of the bigger farms gobbling up struggling smaller ones," he adds.

Furthermore, the situation is bound to get worse if the FDC's projections about future growth in production prove accurate.

It estimates that by 2006-2007 the state's citrus farmers will be churning out some 300m boxes of oranges and 75m boxes of grapefruit. Global demand will have to pick up considerably if the Florida citrus industry is not to undergo a radical shake-up by then.

Gary Mead

COMMODITIES PRICES

BASE METALS

(Prices from International Metal Trading)

ALUMINIUM, 99.7 Purity (\$ per tonne)

| | Cash | 3 mths |
|----------------------|------------|----------|
| Close | 1756-57 | 1747-48 |
| Previous | 1773-75 | 1753-54 |
| High/Low | 1748-8.5 | 1753-730 |
| AM Official | 1752.5-5.0 | |
| Kerb close | 1749-50 | |
| Open int. | 289,224 | |
| Total daily turnover | 73,282 | |

ALUMINIUM ALLOY (\$ per tonne)

| | Cash | 3 mths |
|----------------------|-----------|---------|
| Close | 1505-15 | 1530-40 |
| Previous | 1510-23 | 1548-48 |
| High/Low | 1540-1530 | |
| AM Official | 1487-502 | |
| Kerb close | 1525-30 | |
| Open int. | 5,581 | |
| Total daily turnover | 893 | |

LEAD (\$ per tonne)

| | Cash | 3 mths |
|----------------------|--------|------------|
| Close | 594-6 | 608.5-11.5 |
| Previous | 597-9 | 618.0-1 |
| High/Low | 597-8 | 612-3 |
| AM Official | 594-50 | |
| Kerb close | 596-7 | |
| Open int. | 36,583 | |
| Total daily turnover | 10,290 | |

NICKEL (\$ per tonne)

| | Cash | 3 mths |
|----------------------|---------|-----------|
| Close | 6910-15 | 6910-15 |
| Previous | 7005-15 | 7100-10 |
| High/Low | 6965-6 | 7050/6850 |
| AM Official | 6965-6 | 6995-70 |
| Kerb close | 6960-70 | |
| Open int. | 52,122 | |
| Total daily turnover | 19,676 | |

TIN (\$ per tonne)

| | Cash | 3 mths |
|----------------------|----------|----------|
| Close | 5490-90 | 5520-30 |
| Previous | 5555-65 | 5595-605 |
| High/Low | 5500-510 | 5545-50 |
| AM Official | 5500-51 | 5505-10 |
| Kerb close | 5505-10 | |
| Open int. | 15,554 | |
| Total daily turnover | 3,427 | |

ZINC, special high grade (\$ per tonne)

| | Cash | 3 mths |
|----------------------|-----------|-----------|
| Close | 1718-23 | 1547-48 |
| Previous | 1700-70 | 1535-40 |
| High/Low | 1740-1735 | 1550/1543 |
| AM Official | 1739-40 | 1552-4 |
| Kerb close | 1742-43 | |
| Open int. | 67,023 | |
| Total daily turnover | 27,307 | |

COPPER, grade A (\$ per tonne)

| | Cash | 3 mths |
|----------------------|---------|-----------|
| Close | 2211-14 | 2287-98 |
| Previous | 2319-22 | 2291-92 |
| High/Low | 2232 | 2300/2270 |
| AM Official | 2232-3 | 2295-6 |
| Kerb close | 2274-75 | |
| Open int. | 140,382 | |
| Total daily turnover | 35,818 | |

LME AM Official 5% rates: 1.5913

LME Closing 5% rate: 1.5900

Sept. 1.5855 3 mths: 1.5890 6 mths: 1.5919 9 mths: 1.5912

HIGH GRADE COPPER (COMEX)

| | Sell | Day's | High | Low | Vol | Open |
|-------|--------|-------|--------|--------|-------|--------|
| Aug | 105.20 | -0.05 | 106.40 | 104.50 | 348 | 2,693 |
| Sept | 105.20 | -0.30 | 106.00 | 104.20 | 5,594 | 20,457 |
| Oct | 104.70 | -0.50 | 105.30 | 104.70 | 22 | 1,702 |
| Nov | 103.15 | -0.70 | 104.00 | 102.00 | 31 | 1,380 |
| Dec | 102.80 | -0.30 | 103.40 | 102.00 | 585 | 8,355 |
| Total | | | | | 1 | 684 |

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz) \$ price 2 equiv SFR equiv

Close 327.30-327.80

Opening 326.40-326.70

Afternoon fix 327.70 205.119 495.987

Day's High 328.50-328.80

Day's Low 326.20-326.50

Previous close 325.30-325.60

LEO 1m Mean Gold Lending Rate (No US\$)

1 month 3.58 6 months 3.77

2 months 3.63 12 months 3.77

3 months 3.64

Silver fix p/roy oz US cts equiv

Spot 275.65 439.25

3 months 278.75 444.25

6 months 280.95 449.45

8 months 282.50 450.40

Gold Coins \$ price 2 equiv

Kruggerand 319-321 200-202

Maple Leaf 75-77 47-48

Precious Metals continued

GOLD COMEX (100 Troy oz; 5 Troy oz)

| | Sell | Day's | High | Low | Vol | Open |
|-------|-------|-------|-------|-------|--------|---------|
| Aug | 328.2 | +2.1 | 328.5 | 327.0 | 190 | 553 |
| Sept | 328.1 | +2.1 | 328.5 | 327.0 | 2 | 2 |
| Oct | 330.4 | +2.1 | 331.4 | 328.1 | 852 | 15,675 |
| Nov | 332.5 | +2.1 | 333.4 | 330.3 | 55,226 | 117k |
| Dec | 334.5 | +2.1 | 334.8 | 333.7 | 710 | 12,489 |
| Jan | 335.9 | +2.1 | 336.4 | 335.4 | 895 | 5,513 |
| Total | | | | | 56,942 | 200,336 |

PLATINUM NYMEX (50 Troy oz; 5 Troy oz)

| | Sell | Day's | High | Low | Vol | Open |
|-------|-------|-------|-------|-------|-------|--------|
| Aug | 442.0 | -1.7 | 446.0 | 440.0 | 1,368 | 11,993 |
| Sept | 432.5 | -1.2 | 434.9 | 431.5 | 81 | 2,584 |
| Oct | 427.0 | +0.3 | 430.0 | 426.5 | 13 | 410 |
| Total | | | | | 1,462 | 14,979 |

PALLADIUM NYMEX (100 Troy oz; 5 Troy oz)

| | Sell | Day's | High | Low | Vol | Open |
|-------|--------|-------|--------|--------|-----|-------|
| Aug | 222.00 | -2.25 | 224.80 | 221.50 | 546 | 4,444 |
| Sept | 220.50 | -2.25 | 221.00 | 218.00 | 127 | 1,241 |
| Oct | 203.50 | -2.25 | 206.00 | 201.00 | 1 | 130 |
| Nov | 202.00 | -2.25 | 204.00 | 199.00 | 1 | 107 |
| Total | | | | | 674 | 5,828 |

SILVER COMEX (5,000 Troy oz; Centenary oz)

| | Sell | Day's | High | Low | Vol | Open |
|-------|-------|-------|-------|-------|--------|--------|
| Aug | 442.8 | +6.5 | 449.0 | 437.0 | 15,733 | 25,549 |
| Sept | 444.0 | +6.5 | 449.0 | 437.0 | 15,733 | 25,549 |
| Oct | 445.0 | +6.5 | 450.0 | 442.5 | 4,418 | 20,292 |
| Nov | 442.1 | -2.25 | 444.0 | 439.0 | 1 | 20 |
| Dec | 446.9 | +6.5 | 450.0 | 443.0 | 68 | 10,229 |
| Jan | 460.9 | +6.5 | 459.0 | 453.0 | 23.72 | 93,828 |
| Total | | | | | 40,712 | 93,828 |

ENERGY

CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

| | Sell | Day's | High | Low | Vol | Open |
|-------|-------|-------|-------|-------|--------|--------|
| Aug | 19.85 | -0.11 | 19.75 | 19.55 | 66,112 | 66,700 |
| Sept | 19.84 | -0.10 | 19.60 | 19.72 | 32,157 | 66,884 |
| Oct | 19.86 | -0.09 | 19.85 | 19.85 | 7,850 | 40,235 |
| Nov | 19.99 | +0.06 | 20.05 | 19.95 | 9,587 | 52,650 |
| Dec | 19.99 | +0.03 | 20.05 | 19.96 | 3,175 | 28,592 |
| Jan | 20.07 | +0.08 | 20.07 | 20.00 | 1,435 | 14,747 |
| Total | | | | | n/a | n/a |

CRUDE OIL ICE (\$/barrel)

| | Sell | Day's | High | Low | Vol | Open |
|-------|-------|-------|-------|-------|--------|---------|
| Aug | 16.46 | -0.02 | 16.48 | 16.35 | 9,627 | 42,910 |
| Sept | 16.40 | -0.03 | 16.42 | 16.35 | 7,594 | 61,331 |
| Oct | 16.76 | -0.04 | 16.87 | 16.70 | 726 | 14,575 |
| Nov | 16.88 | -0.06 | 16.94 | 16.81 | 789 | 19,271 |
| Dec | 16.88 | -0.08 | 16.90 | 16.86 | 353 | 14,857 |
| Jan | 16.88 | -0.08 | 16.94 | 16.84 | 577 | 6,281 |
| Total | | | | | 19,886 | 171,916 |

HEATING OIL NYMEX (42,000 US gal; cts/gal)

| | Sell | Day's | High | Low | Vol | Open |
|-------|-------|-------|-------|-------|--------|--------|
| Aug | 54.50 | -0.21 | 54.35 | 54.20 | 19,015 | 37,338 |
| Sept | 55.35 | -0.09 | 55.50 | 55.25 | 3,354 | 27,016 |
| Oct | 56.20 | -0.14 | 56.40 | 56.10 | 1,908 | 17,578 |
| Nov | 56.85 | -0.04 | 57.25 | 56.80 | 3,371 | 20,715 |
| Dec | 57.50 | -0.04 | 57.75 | 57.45 | 2,207 | 14,373 |
| Jan | 57.70 | +0.09 | 57.70 | 57.70 | 607 | 7,358 |
| Total | | | | | 27,047 | n/a |

Iraqi oil exports unlikely to hit prices
By Gary Mead
Iraq said yesterday it expected to start exporting oil to the world market in August, under a deal with the United States. The move is expected to help stabilize oil prices, which have been volatile since the Gulf War.

Traders said the move to export oil to the world market is a significant step for Iraq, which has been isolated since the Gulf War. The move is expected to help stabilize oil prices, which have been volatile since the Gulf War. The move is expected to help stabilize oil prices, which have been volatile since the Gulf War.

Mead

ROSSWORD
A crossword puzzle section with various clues and answers.

FT MANAGED FUNDS SERVICE

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

| Fund Name | Assets | Units | Price |
|-----------------|--------|---------|--------|
| First City Fund | \$100m | 100,000 | \$1.00 |
| First City Fund | \$100m | 100,000 | \$1.00 |
| First City Fund | \$100m | 100,000 | \$1.00 |

BERMUDA (REGULATED)**

| Fund Name | Assets | Units | Price |
|-----------------|--------|---------|--------|
| First City Fund | \$100m | 100,000 | \$1.00 |
| First City Fund | \$100m | 100,000 | \$1.00 |
| First City Fund | \$100m | 100,000 | \$1.00 |

GUERNSEY (SIB RECOGNISED)

| Fund Name | Assets | Units | Price |
|-----------------|--------|---------|--------|
| First City Fund | \$100m | 100,000 | \$1.00 |
| First City Fund | \$100m | 100,000 | \$1.00 |
| First City Fund | \$100m | 100,000 | \$1.00 |

GUERNSEY (REGULATED)**

| Fund Name | Assets | Units | Price |
|-----------------|--------|---------|--------|
| First City Fund | \$100m | 100,000 | \$1.00 |
| First City Fund | \$100m | 100,000 | \$1.00 |
| First City Fund | \$100m | 100,000 | \$1.00 |

IRLAND (SIB RECOGNISED)

| Fund Name | Assets | Units | Price |
|-----------------|--------|---------|--------|
| First City Fund | \$100m | 100,000 | \$1.00 |
| First City Fund | \$100m | 100,000 | \$1.00 |
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IRLAND (REGULATED)**

| Fund Name | Assets | Units | Price |
|-----------------|--------|---------|--------|
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The Financial Times plans to publish a Survey on
Moscow as a Business Centre
on Wednesday, September 17
For further information, please contact:
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or Nina Golovystenko in Moscow
Tel: +095 243 1125 Fax: +095 243 0077
or your usual Financial Times representative

FT Surveys

| Fund Name | Assets | Units | Price |
|-----------------|--------|---------|--------|
| First City Fund | \$100m | 100,000 | \$1.00 |
| First City Fund | \$100m | 100,000 | \$1.00 |
| First City Fund | \$100m | 100,000 | \$1.00 |

ISLE OF MAN (SIB RECOGNISED)

| Fund Name | Assets | Units | Price |
|-----------------|--------|---------|--------|
| First City Fund | \$100m | 100,000 | \$1.00 |
| First City Fund | \$100m | 100,000 | \$1.00 |
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| Fund Name | Assets | Units | Price |
|-----------------|--------|---------|--------|
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| First City Fund | \$100m | 100,000 | \$1.00 |

ISLE OF MAN (REGULATED)**

| Fund Name | Assets | Units | Price |
|-----------------|--------|---------|--------|
| First City Fund | \$100m | 100,000 | \$1.00 |
| First City Fund | \$100m | 100,000 | \$1.00 |
| First City Fund | \$100m | 100,000 | \$1.00 |

FT MANAGED FUNDS SERVICE

| American Funds Investment Portfolios (a) | | | Foreign & Colonial Portfolios (d) | | | Morgan Stanley Dean - Const. | | | ACN Offshore Funds - Const. | | | Credit Investment Funds - Const. | | | Merrill Lynch Asset Management - Const. | | | TCW Luxembourg Funds | | | PIMCO International Ltd. | | |
|--|----------|-------|-----------------------------------|----------|-------|------------------------------|----------|-------|-----------------------------|----------|-------|----------------------------------|----------|-------|---|----------|-------|----------------------|----------|-------|--------------------------|----------|-------|
| 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg |
| American Funds Investment Portfolios (a) | | | | | | | | | | | | | | | | | | | | | | | |
| 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg |
| 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg |
| 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg |
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| 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg |
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| 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg | 12/31/93 | 12/31/92 | % Chg |
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[illegible]

INVESTMENT TRUSTS - Cont

| City | Population | Year |
|---------------|------------|------|
| New York City | 21.5 | 1990 |
| Los Angeles | 18.2 | 1990 |
| Chicago | 16.8 | 1990 |
| Houston | 15.1 | 1990 |
| Phoenix | 13.9 | 1990 |
| San Antonio | 12.7 | 1990 |
| San Diego | 11.5 | 1990 |
| San Jose | 10.3 | 1990 |
| San Francisco | 9.1 | 1990 |
| Seattle | 8.9 | 1990 |
| Portland | 7.8 | 1990 |
| San Jose | 7.6 | 1990 |
| San Francisco | 7.4 | 1990 |
| San Jose | 7.2 | 1990 |
| San Francisco | 7.0 | 1990 |
| San Jose | 6.8 | 1990 |
| San Francisco | 6.6 | 1990 |
| San Jose | 6.4 | 1990 |
| San Francisco | 6.2 | 1990 |
| San Jose | 6.0 | 1990 |
| San Francisco | 5.8 | 1990 |
| San Jose | 5.6 | 1990 |
| San Francisco | 5.4 | 1990 |
| San Jose | 5.2 | 1990 |
| San Francisco | 5.0 | 1990 |
| San Jose | 4.8 | 1990 |
| San Francisco | 4.6 | 1990 |
| San Jose | 4.4 | 1990 |
| San Francisco | 4.2 | 1990 |
| San Jose | 4.0 | 1990 |
| San Francisco | 3.8 | 1990 |
| San Jose | 3.6 | 1990 |
| San Francisco | 3.4 | 1990 |
| San Jose | 3.2 | 1990 |
| San Francisco | 3.0 | 1990 |
| San Jose | 2.8 | 1990 |
| San Francisco | 2.6 | 1990 |
| San Jose | 2.4 | 1990 |
| San Francisco | 2.2 | 1990 |
| San Jose | 2.0 | 1990 |
| San Francisco | 1.8 | 1990 |
| San Jose | 1.6 | 1990 |
| San Francisco | 1.4 | 1990 |
| San Jose | 1.2 | 1990 |
| San Francisco | 1.0 | 1990 |
| San Jose | 0.8 | 1990 |
| San Francisco | 0.6 | 1990 |
| San Jose | 0.4 | 1990 |
| San Francisco | 0.2 | 1990 |
| San Jose | 0.0 | 1990 |

Payments _____ 10
 Purchase Inv _____ 270-2
 Payments _____ 88-3

[illegible]

الحمد لله رب العالمين

| Rank | Name | Points |
|------|---------------------|--------|
| 1 | John J. Smith | 100 |
| 2 | James H. Jones | 95 |
| 3 | Robert L. Brown | 90 |
| 4 | William D. White | 85 |
| 5 | Charles E. Black | 80 |
| 6 | Thomas A. Green | 75 |
| 7 | Richard B. Hall | 70 |
| 8 | Joseph C. King | 65 |
| 9 | George F. Lee | 60 |
| 10 | Edward G. Miller | 55 |
| 11 | Franklin I. Wilson | 50 |
| 12 | Harold J. Moore | 45 |
| 13 | Donald K. Taylor | 40 |
| 14 | Paul L. Anderson | 35 |
| 15 | Walter M. Clark | 30 |
| 16 | Samuel N. Evans | 25 |
| 17 | John P. Hill | 20 |
| 18 | Robert Q. Scott | 15 |
| 19 | William R. Adams | 10 |
| 20 | Charles S. Baker | 5 |
| 21 | Thomas T. Campbell | 0 |
| 22 | Richard U. Carter | 0 |
| 23 | Joseph V. Fisher | 0 |
| 24 | George W. Grant | 0 |
| 25 | Edward X. Harris | 0 |
| 26 | Franklin Y. Jackson | 0 |
| 27 | Harold Z. Kelly | 0 |
| 28 | Donald A. Lewis | 0 |
| 29 | Paul B. Martin | 0 |
| 30 | Walter C. Nelson | 0 |
| 31 | Samuel D. Phillips | 0 |
| 32 | John E. Quinn | 0 |
| 33 | Robert F. Ryan | 0 |
| 34 | William G. Scott | 0 |
| 35 | Charles H. Turner | 0 |
| 36 | Thomas I. Walker | 0 |
| 37 | Richard J. Young | 0 |
| 38 | Joseph K. Allen | 0 |
| 39 | George L. Baker | 0 |
| 40 | Edward M. Clark | 0 |
| 41 | Franklin N. Evans | 0 |
| 42 | Harold O. Fisher | 0 |
| 43 | Donald P. Grant | 0 |
| 44 | Paul Q. Harris | 0 |
| 45 | Walter R. Jackson | 0 |
| 46 | Samuel S. Kelly | 0 |
| 47 | John T. Lewis | 0 |
| 48 | Robert U. Martin | 0 |
| 49 | William V. Nelson | 0 |
| 50 | Charles W. Phillips | 0 |
| 51 | Thomas X. Quinn | 0 |
| 52 | Richard Y. Ryan | 0 |
| 53 | Joseph Z. Scott | 0 |
| 54 | George A. Turner | 0 |
| 55 | Edward B. Walker | 0 |
| 56 | Franklin C. Young | 0 |
| 57 | Harold D. Allen | 0 |
| 58 | Donald E. Baker | 0 |
| 59 | Paul F. Clark | 0 |
| 60 | Walter G. Evans | 0 |
| 61 | Samuel H. Fisher | 0 |
| 62 | John I. Grant | 0 |
| 63 | Robert J. Harris | 0 |
| 64 | William K. Jackson | 0 |
| 65 | Charles L. Kelly | 0 |
| 66 | Thomas M. Lewis | 0 |
| 67 | Richard N. Martin | 0 |
| 68 | Joseph O. Nelson | 0 |
| 69 | George P. Phillips | 0 |
| 70 | Edward Q. Quinn | 0 |
| 71 | Franklin R. Ryan | 0 |
| 72 | Harold S. Scott | 0 |
| 73 | Donald T. Turner | 0 |
| 74 | Paul U. Walker | 0 |
| 75 | Walter V. Young | 0 |
| 76 | Samuel W. Allen | 0 |
| 77 | John X. Baker | 0 |
| 78 | Robert Y. Clark | 0 |
| 79 | William Z. Evans | 0 |
| 80 | Charles A. Fisher | 0 |
| 81 | Thomas B. Grant | 0 |
| 82 | Richard C. Harris | 0 |
| 83 | Joseph D. Jackson | 0 |
| 84 | George E. Kelly | 0 |
| 85 | Edward F. Lewis | 0 |
| 86 | Franklin G. Martin | 0 |
| 87 | Harold H. Nelson | 0 |
| 88 | Donald I. Phillips | 0 |
| 89 | Paul J. Quinn | 0 |
| 90 | Walter K. Ryan | 0 |
| 91 | Samuel L. Scott | 0 |
| 92 | John M. Turner | 0 |
| 93 | Robert N. Walker | 0 |
| 94 | William O. Young | 0 |
| 95 | Charles P. Allen | 0 |
| 96 | Thomas Q. Baker | 0 |
| 97 | Richard R. Clark | 0 |
| 98 | Joseph S. Evans | 0 |
| 99 | George T. Fisher | 0 |
| 100 | Edward U. Grant | 0 |

| | | |
|-------------------|-----|-----|
| Voyager Euro Star | 112 | 112 |
| Warrior | 215 | 215 |
| Whisper & Viper | 305 | 305 |

| | 1979 | 1978 | 1977 | 1976 | 1975 | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 | 1968 | 1967 | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 | 1958 | 1957 | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 | 1950 | 1949 | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 | 1942 | 1941 | 1940 | 1939 | 1938 | 1937 | 1936 | 1935 | 1934 | 1933 | 1932 | 1931 | 1930 | 1929 | 1928 | 1927 | 1926 | 1925 | 1924 | 1923 | 1922 | 1921 | 1920 | 1919 | 1918 | 1917 | 1916 | 1915 | 1914 | 1913 | 1912 | 1911 | 1910 | 1909 | 1908 | 1907 | 1906 | 1905 | 1904 | 1903 | 1902 | 1901 | 1900 | 1899 | 1898 | 1897 | 1896 | 1895 | 1894 | 1893 | 1892 | 1891 | 1890 | 1889 | 1888 | 1887 | 1886 | 1885 | 1884 | 1883 | 1882 | 1881 | 1880 | 1879 | 1878 | 1877 | 1876 | 1875 | 1874 | 1873 | 1872 | 1871 | 1870 | 1869 | 1868 | 1867 | 1866 | 1865 | 1864 | 1863 | 1862 | 1861 | 1860 | 1859 | 1858 | 1857 | 1856 | 1855 | 1854 | 1853 | 1852 | 1851 | 1850 | 1849 | 1848 | 1847 | 1846 | 1845 | 1844 | 1843 | 1842 | 1841 | 1840 | 1839 | 1838 | 1837 | 1836 | 1835 | 1834 | 1833 | 1832 | 1831 | 1830 | 1829 | 1828 | 1827 | 1826 | 1825 | 1824 | 1823 | 1822 | 1821 | 1820 | 1819 | 1818 | 1817 | 1816 | 1815 | 1814 | 1813 | 1812 | 1811 | 1810 | 1809 | 1808 | 1807 | 1806 | 1805 | 1804 | 1803 | 1802 | 1801 | 1800 | 1799 | 1798 | 1797 | 1796 | 1795 | 1794 | 1793 | 1792 | 1791 | 1790 | 1789 | 1788 | 1787 | 1786 | 1785 | 1784 | 1783 | 1782 | 1781 | 1780 | 1779 | 1778 | 1777 | 1776 | 1775 | 1774 | 1773 | 1772 | 1771 | 1770 | 1769 | 1768 | 1767 | 1766 | 1765 | 1764 | 1763 | 1762 | 1761 | 1760 | 1759 | 1758 | 1757 | 1756 | 1755 | 1754 | 1753 | 1752 | 1751 | 1750 | 1749 | 1748 | 1747 | 1746 | 1745 | 1744 | 1743 | 1742 | 1741 | 1740 | 1739 | 1738 | 1737 | 1736 | 1735 | 1734 | 1733 | 1732 | 1731 | 1730 | 1729 | 1728 | 1727 | 1726 | 1725 | 1724 | 1723 | 1722 | 1721 | 1720 | 1719 | 1718 | 1717 | 1716 | 1715 | 1714 | 1713 | 1712 | 1711 | 1710 | 1709 | 1708 | 1707 | 1706 | 1705 | 1704 | 1703 | 1702 | 1701 | 1700 | 1699 | 1698 | 1697 | 1696 | 1695 | 1694 | 1693 | 1692 | 1691 | 1690 | 1689 | 1688 | 1687 | 1686 | 1685 | 1684 | 1683 | 1682 | 1681 | 1680 | 1679 | 1678 | 1677 | 1676 | 1675 | 1674 | 1673 | 1672 | 1671 | 1670 | 1669 | 1668 | 1667 | 1666 | 1665 | 1664 | 1663 | 1662 | 1661 | 1660 | 1659 | 1658 | 1657 | 1656 | 1655 | 1654 | 1653 | 1652 | 1651 | 1650 | 1649 | 1648 | 1647 | 1646 | 1645 | 1644 | 1643 | 1642 | 1641 | 1640 | 1639 | 1638 | 1637 | 1636 | 1635 | 1634 | 1633 | 1632 | 1631 | 1630 | 1629 | 1628 | 1627 | 1626 | 1625 | 1624 | 1623 | 1622 | 1621 | 1620 | 1619 | 1618 | 1617 | 1616 | 1615 | 1614 | 1613 | 1612 | 1611 | 1610 | 1609 | 1608 | 1607 | 1606 | 1605 | 1604 | 1603 | 1602 | 1601 | 1600 | 1599 | 1598 | 1597 | 1596 | 1595 | 1594 | 1593 | 1592 | 1591 | 1590 | 1589 | 1588 | 1587 | 1586 | 1585 | 1584 | 1583 | 1582 | 1581 | 1580 | 1579 | 1578 | 1577 | 1576 | 1575 | 1574 | 1573 | 1572 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|
| Net sales volume | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | |

| | | |
|----------|------|-----|
| Capital | 2001 | 210 |
| Warrants | 214 | 214 |

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|-------|----|----|
| 100ml | 30 | 26 |
| 100ml | 30 | 26 |

| Rank | Name | Points |
|------|------------------|--------|
| 241 | William C. Smith | 1.00 |
| 242 | William C. Smith | 1.00 |
| 243 | William C. Smith | 1.00 |
| 244 | William C. Smith | 1.00 |
| 245 | William C. Smith | 1.00 |
| 246 | William C. Smith | 1.00 |
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| 251 | William C. Smith | 1.00 |
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| 289 | William C. Smith | 1.00 |
| 290 | William C. Smith | 1.00 |
| 291 | William C. Smith | 1.00 |
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 100

CATER ALLEN
For people who are serious

| | | |
|------------------|------|------|
| Zero Div Prod | 100% | 100% |
| Units | 250 | 250 |
| Customer Svc Inc | 25 | 25 |

[illegible]

| | | |
|-----------------------|------|------|
| 2000 P4 | 2000 | 2000 |
| INVESTCO Recovery - 3 | 110 | 112 |
| Risk Growth | 180 | 180 |

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| | |
|---------------------|--|
| MS & S Income Inc. | |
| Cash | |
| Accounts Receivable | |
| Inventory | |
| Prepaid Expenses | |
| Fixed Assets | |
| Liabilities | |
| Equity | |

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LONDON STOCK EXCHANGE

Footsie loses, then regains, the 5,000 level

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

Worries that Wall Street's 156-point slide on Friday would exact a heavy toll on London's equity market proved short-lived yesterday as share prices recovered strongly from an early bout of weakness to close with wide-spread gains.

There was some help to the market from July's producer prices figures.

The data were said to have reinforced market perceptions that UK interest rates may well have peaked in the short term

after the monetary policy committee said last week that rates had "reached a level consistent with the inflation target".

There were other downside forces at work as trading got under way. A long list of heavy-weight stocks was quoted in dividend, lopping in excess of 15 points from the FTSE 100 index, with BT also burdened by a 35p special dividend payment. BT's routine interim payment accounted for 4.4 points off the index with the special 35p payment accounting for a further 12 index points.

Dealers also said the market had been jolted by the July Merrill Lynch/Gallup survey of UK

fund managers which found that sellers of UK equities outnumbered buyers by 12 percentage points. In contrast, buyers of gilts outnumbered sellers by 22 percentage points.

At the finish of a typically sluggish summer trading session, the FTSE 100 was comfortably above 5,000, ending 0.6 higher at 5,031.9. At its worst the index fell 64.5, losing the 5,000 level in the process.

There was an uncomfortable start for leading stocks, which were marked down sharply as marketmakers erred on the side of caution after Friday's near 2 per cent sell-off on Wall Street. The US market's decline had

been prompted by fears that the Federal Reserve might hike interest rates higher after the next meeting of its Open Market Committee meeting, scheduled for August 19.

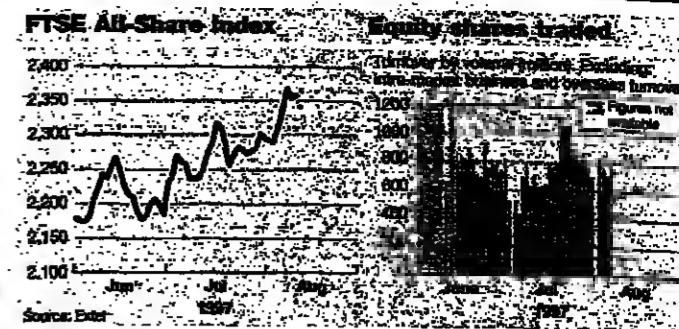
But with no evidence of any sizeable selling pressure, Footsie gradually regained its composure. It had recaptured all the lost ground by lunchtime and at its peak, minutes after Wall Street opened, posted a near 20-point gain.

The smaller company indices were affected by overall market sentiment but still finished with impressive gains, building on their strength last week after sterling began to wilt.

The FTSE 250 index closed 21.1 up at a session high of 4,871.6, only 57.8 below its all-time intra-day high of 4,729.4, reached in March this year. The FTSE SmallCap ended 8.9 firmer at 2,218.7, but remains well shy of its record intra-day level - 3,374.2 - also reached in March.

A senior marketmaker at one big European securities house said there had been concern that Friday's US weakness might trigger a fresh downside reaction in UK stocks. But as one trader put it: "All we saw was a consistent stream of small buyers; this market is well underpinned."

Turnover at 6pm was a rather disappointing 675.5m shares.



| Indices and ratios | | | | | |
|----------------------|--------|-------|----------------------------|--------|-------|
| FTSE 100 | 5031.9 | +0.6 | FT 30 | 3205.9 | -10.4 |
| FTSE 250 | 4871.6 | +21.1 | FTSE Non-Fin p/e | 18.76 | -1.0 |
| FTSE 350 | 2418.1 | +2.8 | 10yr FTSE Fut Gap | 5082.0 | -34.0 |
| FTSE All-Share | 2357.2 | +2.59 | 10yr Gilt yield | 7.16 | 7.16 |
| FTSE All-Share yield | 3.33 | 3.40 | Long gilt/equity yld ratio | 2.16 | 2.16 |

| Best performing sectors | | | | | |
|-------------------------------|-------|--|--|--|--|
| 1 Gas Distribution | +42.2 | | | | |
| 2 Life Assurance | +1.6 | | | | |
| 3 Insurance | +1.4 | | | | |
| 4 Building Materials & Merchs | +1.1 | | | | |
| 5 Distributors | +1.0 | | | | |

| Worst performing sectors | | | | | |
|--------------------------|------|--|--|--|--|
| 1 Tobacco | -1.0 | | | | |
| 2 Alcoholic Beverages | -1.0 | | | | |
| 3 Household Goods | -0.9 | | | | |
| 4 Pharmaceuticals | -0.9 | | | | |
| 5 Telecommunications | -0.8 | | | | |

FUTURES AND OPTIONS

| FTSE 100 INDEX FUTURES (LIFE) 225 per full index point | | | | | |
|--|--------|--------|-------|--------|--------|
| Open | 5000.0 | 5002.0 | +18.0 | 5000.0 | 4985.0 |
| Settle | 5002.0 | 5127.0 | +18.0 | 5145.0 | 5082.0 |
| Mar | 5172.0 | +18.0 | | | |

| FTSE 250 INDEX FUTURES (LIFE) 210 per full index point | | | | | |
|--|--------|--------|-------|--------|--------|
| Open | 4700.0 | 4710.0 | +20.0 | 4700.0 | 4700.0 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
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| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
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| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
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| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
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| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
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| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
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| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
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| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
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| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
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| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
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| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
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| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4850 | 4860 | 5000 | 5050 | 5100 |
| Settle | | | | | |

| FTSE 250 INDEX OPTION (LIFE) 210 per full index point | | | | | |
|---|------|------|------|------|------|
| Open | 4650 | 4660 | 4800 | 4850 | 4900 |
| Settle | | | | | |

| FTSE 100 INDEX OPTION (LIFE) 225 per full index point | | | | | |
|---|--|--|--|--|--|
| | | | | | |

WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

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and convenience.**



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INDICES

[illegible]**US INDICES**

| Drw Jones | Aug 6 | Aug 7 | Aug 8 | 2007 High | 2007 Low | Since completion High | Since completion Low |
|---------------------------|---------------|---------|---------|--------------------|-------------|--------------------------|-------------------------|
| Industals | 8031.22 | 9180.00 | 8239.31 | 8259.31 | 6391.49 | 8229.31 | 41.22 |
| | | | | (6/8) | (11/4) | (8/6/8) | (8/7/8) |
| Home Bnks | 104.23 | 104.33 | 104.40 | 104.73 | 103.73 | 104.73 | 10.33 |
| | | | | (3/17) | (1/4) | (3/17/8) | (1/8/8) |
| Transport | 2537.02 | 2993.98 | 3009.25 | 3008.25 | 2222.87 | 3008.25 | 13.33 |
| | | | | (8/8) | (3/1) | (8/7/8) | (8/7/8) |
| Utilities | 239.62 | 232.89 | 234.14 | 232.14 | 229.62 | 232.14 | 15.33 |
| | | | | (2/1) | (2/1) | (3/16/8) | (8/7/8) |
| | | | | | | | |
| Ad. Ind. Day's High | 9170.58 | 8340.14 | 7100 | 7961.07 | 6183.73 | (Theoretical) | |
| Day's High 8184.56 | (20596.49) | 7100 | 7876.40 | (Actual) | | | |
| Comp's | 633.54 | 651.19 | 630.32 | 660.32 | 573.51 | 660.32 | 3.40 |
| | | | | (6/8) | (2/1) | (6/9/7) | (1/23) |
| IT | 110.51 | 1121.93 | 1130.78 | 1130.78 | 865.42 | 1130.78 | 3.60 |
| | | | | (6/8) | (11/4) | (6/8/8) | (20/8/8) |
| Financial | 108.04 | 108.38 | 110.48 | 111.48 | 107.33 | 111.48 | 7.33 |
| | | | | (3/17) | (2/1) | (3/17/8) | (4/8/8) |
| | | | | | | | |
| NYSE Comp. | 483.79 | 492.82 | 497.00 | 497.00 | 398.47 | 497.00 | 1.84 |
| | | | | (6/8) | (11/4) | (6/8/8) | (5/4/8) |
| Amex Comp. | 648.15 | 652.07 | 654.08 | 654.08 | 541.20 | 654.08 | 2.24 |
| | | | | (8/8) | (2/8/4) | (6/8/8) | (6/7/8) |
| | | | | | | | |
| NASDAQ Comp. | 1568.52 | 1834.12 | 1834.64 | 1834.64 | 1201.08 | 1834.64 | 54.87 |
| | | | | (2/8) | (2/8) | (6/9/7) | (3/17/8) |
| | | | | | | | |
| ■ RATIOS | | | | ■ TRADING ACTIVITY | | | |
| | | | | | | | |
| Drw Jones Ind. Div. Yield | Aug 8 | Aug 8 | Aug 8 | Aug 8 | Aug 8 | Aug 8 | Aug 8 |
| | 1.81 | 1.58 | 1.60 | 2.21 | 2.21 | 2.21 | 2.21 |
| | Aug 6 | Aug 7 | Aug 8 | Aug 8 | Aug 8 | Aug 8 | Aug 8 |
| S & P Ind. Div. Yield | 1.47 | 1.48 | 1.50 | 2.03 | 2.03 | 2.03 | 2.03 |
| S & P Ind. P/E Ratio | 26.35 | 26.05 | 25.77 | 21.16 | 21.16 | 21.16 | 21.16 |
| | | | | | | | |
| Friday | Stocks traded | | | Volume (million) | | | |
| | | | | Aug 8 | Aug 7 | Aug 6 | Aug 6 |
| Electronic Data | 14,083,700 | 38% | -6% | New York SE | 561,392 | 722,722 | 585,170 |
| AT&T | 8,653,100 | 40% | -4% | NASDAQ | 705,722 | 753,713 | 796,700 |
| Cable One | 9,402,000 | 82% | - | | | | |
| Comcast | 9,080,700 | 60% | -1% | NYSE | | | |
| Pacific | 5,647,800 | 44% | -4% | Issues Traded | 3,379 | 3,359 | 3,404 |
| Simon | 5,285,100 | 56% | -1% | Reads | 2,925 | 1,221 | 1,847 |
| Enron | 5,740,000 | 67% | -1% | Falls | 2,472 | 1,811 | 978 |
| Power | 5,447,800 | 55% | -2% | Unchanged | 278 | 278 | 278 |
| Comcast HCA | 4,486,000 | 53% | - | New Highs | 44 | 332 | 357 |
| Util Hts | 4,285,000 | 31% | -4% | New Lows | 17 | 10 | 11 |

371 1.1 29.1 SP788
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| | | | |
|-----|------|--------|------|
| 1.2 | 20.8 | Barlow | 50 |
| 1.6 | 23.0 | Bentz | 24.5 |
| 4.4 | 24.7 | Buffel | |

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Stocks Closing Change

| Stocks Traded | Closing Prices | Change on day |
|------------------|-------------------|------------------|
|------------------|-------------------|------------------|

| | | |
|---------------|------|-----|
| Steel Co | 5.9m | 300 |
|---------------|------|-----|

| | | |
|------|------|-----|
| 5.4m | 1580 | -70 |
| 5.5m | 07 | 8 |

| | | |
|------|------|----|
| 5.2m | 97 | 3 |
| 4.7m | 1280 | 40 |

| | | | |
|-------|------|-----|----|
| | 4.6m | 189 | -4 |
|-------|------|-----|----|

| Low Stock | Vol. % | Py | St | High | Low | Close | Chgs |
|-----------|--------|-----|------|------|--------|---------|--------|
| | | | | | | | |
| 7% NEU | | | 1364 | 912 | 912 | 912 | +1 1/2 |
| 14% MSPW | 2.52 | 5.5 | 13 | 1257 | 501 | 49 1/2 | +1 1/2 |
| 2% WILF | 0.52 | 0.5 | 47 | 2310 | 1032 | 101 1/2 | -1 1/2 |
| 3% MARG | | | 7 | 41 | 16 1/2 | -2 | -1 1/2 |
| 1% HAWK | 1.00 | 1.4 | 25 | 2132 | 1152 | 115 1/2 | +1 1/2 |
| | 1.00 | 1.5 | | | | | |

0:18 - 177
Q 78 6990

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| | 0.00 | 0.11 | 0.25 | 0.37 | 0.50 | 0.63 | 0.75 | 0.88 | 1.00 |
|-------------|------|------|------|------|------|------|------|------|------|
| 100% Purity | 0.00 | 0.11 | 0.25 | 0.37 | 0.50 | 0.63 | 0.75 | 0.88 | 1.00 |
| 100% Purity | 1.00 | 0.70 | 0.44 | 0.33 | 0.25 | 0.17 | 0.10 | 0.05 | 0.00 |
| 95% Purity | 0.21 | 0.17 | 0.17 | 0.18 | 0.19 | 0.19 | 0.18 | 0.15 | 0.11 |
| 90% Purity | 0.27 | 0.20 | 0.20 | 0.20 | 0.20 | 0.19 | 0.17 | 0.14 | 0.11 |
| 85% Purity | 0.32 | 0.24 | 0.24 | 0.24 | 0.23 | 0.21 | 0.18 | 0.15 | 0.12 |
| 80% Purity | 0.36 | 0.27 | 0.27 | 0.26 | 0.24 | 0.21 | 0.18 | 0.15 | 0.12 |
| 75% Purity | 0.40 | 0.30 | 0.30 | 0.29 | 0.26 | 0.22 | 0.19 | 0.16 | 0.13 |
| 70% Purity | 0.44 | 0.33 | 0.33 | 0.31 | 0.27 | 0.23 | 0.20 | 0.17 | 0.14 |
| 65% Purity | 0.47 | 0.36 | 0.35 | 0.33 | 0.28 | 0.24 | 0.21 | 0.18 | 0.15 |
| 60% Purity | 0.50 | 0.38 | 0.37 | 0.34 | 0.29 | 0.25 | 0.22 | 0.19 | 0.16 |
| 55% Purity | 0.53 | 0.40 | 0.39 | 0.35 | 0.30 | 0.26 | 0.23 | 0.20 | 0.17 |
| 50% Purity | 0.56 | 0.42 | 0.40 | 0.36 | 0.31 | 0.27 | 0.24 | 0.21 | 0.18 |
| 45% Purity | 0.58 | 0.44 | 0.42 | 0.37 | 0.32 | 0.28 | 0.25 | 0.22 | 0.19 |
| 40% Purity | 0.60 | 0.45 | 0.43 | 0.38 | 0.33 | 0.29 | 0.26 | 0.23 | 0.20 |
| 35% Purity | 0.62 | 0.46 | 0.44 | 0.39 | 0.34 | 0.30 | 0.27 | 0.24 | 0.21 |
| 30% Purity | 0.64 | 0.47 | 0.45 | 0.40 | 0.35 | 0.31 | 0.28 | 0.25 | 0.22 |
| 25% Purity | 0.66 | 0.48 | 0.46 | 0.41 | 0.36 | 0.32 | 0.29 | 0.26 | 0.23 |
| 20% Purity | 0.68 | 0.49 | 0.47 | 0.42 | 0.37 | 0.33 | 0.30 | 0.27 | 0.24 |
| 15% Purity | 0.70 | 0.50 | 0.48 | 0.43 | 0.38 | 0.34 | 0.31 | 0.28 | 0.25 |
| 10% Purity | 0.72 | 0.51 | 0.49 | 0.44 | 0.39 | 0.35 | 0.32 | 0.29 | 0.26 |
| 5% Purity | 0.74 | 0.52 | 0.50 | 0.45 | 0.40 | 0.36 | 0.33 | 0.30 | 0.27 |
| 0% Purity | 0.76 | 0.53 | 0.51 | 0.46 | 0.41 | 0.37 | 0.34 | 0.31 | 0.28 |

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| Stock | P/50 | Div. E | Yield | High | Low | Last | Chng | Stock | P/50 | Div. E | Yield | High | Low | Last | Chng |
|--------------|--------|---------|---------|---------|---------|---------|-------|------------|-------|--------|--------|--------|--------|--------|-------|
| - L - | | | | | | | | | | | | | | | |
| Laborite | 0.72 | 44 | 7 | 17 1/2 | 16 1/2 | 16 3/4 | - 1/4 | Rainbow | 13 | 47 | 18 1/2 | 17 1/2 | 17 1/2 | - | |
| Leder Farn | 22 | 337 | 10 1/2 | 15 1/2 | 15 1/2 | 16 | - 1/2 | Rayne | 218 | 2 1/2 | 2 1/2 | 2 1/2 | 2 1/2 | - | |
| Lam Rose | 17225 | 88 | 32 1/2 | 35 1/2 | 35 1/2 | 35 1/2 | - 1/2 | Reynolds | 0.25 | 10 | 32 1/2 | 32 1/2 | 32 1/2 | - | |
| Lancaster | 0.72 | 16 | 555 | 48 1/2 | 48 1/2 | 48 1/2 | - | RHGS Inc | 0.07 | 107 | 1250 | 48 1/2 | 48 1/2 | + 1/2 | |
| Lanco S | 0.56 | 23 | 367 | 20 1/2 | 20 1/2 | 20 1/2 | - | Road-Fair | 253 | 242 | 25 1/2 | 27 1/2 | 27 1/2 | + 1/2 | |
| Lanxide | 24 | 3 1/2 | 5 1/2 | 5 1/2 | 5 1/2 | 5 1/2 | - | Roscon | 18 | 17 1/2 | 12 1/2 | 12 1/2 | 12 1/2 | - | |
| Laser Int | 13 | 286 | 15 1/2 | 15 1/2 | 15 1/2 | 15 1/2 | - | RoyCo Inc | 0.00 | 15 | 796 | 34 1/2 | 35 1/2 | 35 1/2 | + 1/2 |
| LaserScope | 17 | 924 | 4 1/2 | 4 1/2 | 4 1/2 | 4 1/2 | - | Rushton | 137 | 1 1/2 | 1 1/2 | 1 1/2 | 1 1/2 | - | |
| Lattice S | 31 | 3640 | 67 1/2 | 84 1/2 | 84 1/2 | 84 1/2 | -1 | Russell-Mo | 23 | 20 | 23 1/2 | 23 1/2 | 23 1/2 | - | |
| Lavender PT | 0.55 | 14 | 407 | 23 1/2 | 27 | 27 | - 5/8 | Russell | 50 | 50 | 5 1/2 | 5 1/2 | 5 1/2 | + 1/2 | |
| Lectra | 53 | 842 | 4 | 3 1/2 | 3 1/2 | 3 1/2 | - | Russell-E | 1.25 | 22 | 22 1/2 | 22 1/2 | 22 1/2 | + 1/2 | |
| Life Tech | 0.30 | 22 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | - | Russell-E | 0.20 | 16 | 453 | 23 1/2 | 22 1/2 | - 1/2 | |
| LifeLine | 25 | 183 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | - | Russett | 0.12 | 14 | 138 | 6 1/2 | 6 1/2 | - | |
| Lifetech | 0.14 | 18 | 756 | 108 | 36 1/2 | 39 | + 1/2 | Russell | 0.18 | 19 | 8585 | 31 1/2 | 30 1/2 | - 3/4 | |
| Lifetech Int | 0.24 | 57 | 14 1/2 | 14 1/2 | 14 1/2 | 14 1/2 | - | Russell-H | 17 | 17 1/2 | 15 1/2 | 15 1/2 | 15 1/2 | - | |
| Lifetech Int | 0.27 | 14 | 34 1/2 | 34 1/2 | 34 1/2 | 34 1/2 | - | Russell-H | 21 | 5 1/2 | 5 1/2 | 5 1/2 | 5 1/2 | - | |
| Lifetech Int | 11 | 5767 | 16 1/2 | 17 1/2 | 17 1/2 | 17 1/2 | - | Russell-H | 0.52 | 118 | 25 1/2 | 16 1/2 | 16 1/2 | + 1/2 | |
| Lion Star | 21 | 20 | 33 | 33 | 33 | 33 | - | Russell-H | 11 | 23 | 24 | 9 | 9 1/2 | + 1/2 | |
| LTC Cos | 30 | 30 | 11 | 11 | 11 | 11 | - | Sales | 1.20 | 15 | 3700 | 48 1/2 | 48 1/2 | + 1/2 | |
| LUMI | 0.65 | 29 | 122 | 48 1/2 | 48 1/2 | 48 1/2 | - 1/2 | SALCOM | 0.40 | 20 | 15 1/2 | 15 1/2 | 15 1/2 | - | |
| - R - | | | | | | | | | | | | | | | |
| MCI Cos | 0.85 | 208862 | 9 1/2 | 35 1/2 | 34 | 34 | - | Sanderson | 0.20 | 84 | 36 | 15 1/2 | 15 1/2 | - 1/2 | |
| MCI Cos | 18 | 404 | 22 1/2 | 21 1/2 | 22 | 22 | - | Schering | 0.42 | 18 | 683 | 22 1/2 | 22 | - 1/2 | |
| MCI Cos | 0.7 | 196 | 13 1/2 | 13 1/2 | 13 1/2 | 13 1/2 | - | Sides | 230 | 7 1/2 | 7 1/2 | 7 1/2 | 7 1/2 | - | |
| MCI Cos | 0.87 | 105 | 2 1/2 | 6 1/2 | 6 1/2 | 6 1/2 | - | Stamps Co | 0.52 | 2228 | 11 1/2 | 10 1/2 | 10 1/2 | - | |
| MCI Cos | 26 | 1008 | 25 1/2 | 24 1/2 | 25 1/2 | 25 1/2 | - | Stamps Co | 1 | 68 | 13 | 6 1/2 | 6 1/2 | - | |
| MCI Cos | 2458 | 11 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | - | Stamps Co | 1.20 | 132 | 24 | 6 1/2 | 6 1/2 | - | |
| MCI Cos | 20 | 4677 | 23 1/2 | 23 1/2 | 22 1/2 | 22 1/2 | - | Stamps Co | 0.38 | 24 | 500 | 28 1/2 | 28 1/2 | - 1/2 | |
| MCI Cos | 0.44 | 13 | 7 | 15 1/2 | 14 1/2 | 15 1/2 | - | Stamps Co | 7 | 20 | 7 | 7 | 7 | - | |
| MCI Cos | 0.00 | 15 | 2688 | 43 1/2 | 43 1/2 | 43 1/2 | - | Stamps Co | 0.38 | 24 | 500 | 28 1/2 | 28 1/2 | - 1/2 | |
| MCI Int | 963 | 43 | 4 1/2 | 4 1/2 | 4 1/2 | 4 1/2 | - | Stamps Co | 7 | 20 | 7 | 7 | 7 | - | |
| MCI Int | 37 | 8983 | 70 1/2 | 89 1/2 | 89 1/2 | 89 1/2 | - | Stamps Co | 1.12 | 11 | 73 1/2 | 32 1/2 | 32 1/2 | + 1/2 | |
| MCI Int | 0.32 | 15 | 33 | 20 1/2 | 19 1/2 | 20 | - 1/2 | Stamps Co | 71005 | 27 1/2 | 28 | 28 1/2 | 28 1/2 | - | |
| MCI Int | 0.00 | 15 | 2781 | 25 1/2 | 25 1/2 | 25 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 24 | 14 1/2 | 13 1/2 | 13 1/2 | 13 1/2 | 13 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 0.10 | 3024 | 31 1/2 | 29 1/2 | 29 1/2 | 29 1/2 | - 1/2 | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 38 | 2334 | 10 1/2 | 9 1/2 | 10 | 10 | - 1/2 | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 0.00 | 16 | 616 | 30 | 29 1/2 | 29 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 0.01 | 11 | 2744 | 11 | 9 1/2 | 10 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 795 | 25 | 2 1/2 | 2 1/2 | 2 1/2 | 2 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 5 | 855 | 5 1/2 | 5 1/2 | 5 1/2 | 5 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 0.20 | 19 | 499 | 20 1/2 | 20 1/2 | 20 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 21 | 1811 | 23 1/2 | 22 1/2 | 22 1/2 | 22 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 2355 | 0 1/2 | 5 1/2 | 5 1/2 | 5 1/2 | 5 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 550385 | 149 1/2 | 136 1/2 | 136 1/2 | 136 1/2 | 136 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 288 | 14 1/2 | 14 1/2 | 14 1/2 | 14 1/2 | 14 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 0.29 | 31 | 822 | 48 1/2 | 48 1/2 | 48 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 104 | 56 1/2 | 56 1/2 | 56 1/2 | 56 1/2 | 56 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 124 | 12 | 7 | 65 | 63 1/2 | 63 1/2 | + 1/2 | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 0.10 | 25 | 83 | 10 1/2 | 10 1/2 | 10 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 2577 | 13 | 12 1/2 | 12 1/2 | 12 1/2 | 12 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 0.30 | 20 | 38 | 16 | 15 1/2 | 16 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 0.70 | 14 | 85 | 31 | 30 1/2 | 30 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 0.05 | 27 | 2046 | 36 1/2 | 36 1/2 | 36 1/2 | - 1/2 | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 0.05 | 29 | 1357 | 40 1/2 | 38 1/2 | 39 1/2 | - 1/2 | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 105 | 4 1/2 | 4 1/2 | 4 1/2 | 4 1/2 | 4 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 0.22 | 13 | 473 | 24 1/2 | 24 1/2 | 24 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 0.40 | 14 | 50 1/2 | 23 | 20 1/2 | 21 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| MCI Int | 1663 | 24 1/2 | 23 1/2 | 23 1/2 | 23 1/2 | 23 1/2 | - | Stamps Co | 0.25 | 21 | 1423 | 34 1/2 | 34 1/2 | - 1/2 | |
| - N - | | | | | | | | | | | | | | | |
| MCI Int | 0.72 | 11 | 65 | 29 1/2 | 29 1/2 | 29 1/2 | - | T-Cell S | 193 | 1 1/2 | 1 1/2 | 1 1/2 | 1 1/2 | - | |
| MCI Int | 0.36 | 35 | 29 | 28 1/2 | 28 1/2 | 28 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 0.19 | 26 | 582 | 39 | 19 1/2 | 19 1/2 | - 1/2 | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 8 | 1 1/2 | 18 1/2 | 18 1/2 | 18 1/2 | 18 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 0.41 | 31 | 128 | 80 1/2 | 80 1/2 | 80 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 29 | 1536 | 48 1/2 | 29 1/2 | 29 1/2 | 29 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 24943 | 43 | 40 | 40 1/2 | 40 1/2 | 40 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 31 | 1976 | 15 1/2 | 16 1/2 | 16 1/2 | 16 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 1965 | 329 | 70 1/2 | 20 | 20 1/2 | 20 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 0.04 | 21 | 157 | 13 1/2 | 13 1/2 | 13 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 33355 | 24 1/2 | 23 1/2 | 24 | 24 1/2 | 24 1/2 | - 1/2 | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 0.80 | 22 | 91 | 80 | 59 | 59 | -1 | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 0.50 | 302185 | 85 1/2 | 57 | 57 1/2 | 57 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 17 | 109 | 19 1/2 | 19 1/2 | 19 1/2 | 19 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 0.72 | 22 | 3453 | 34 1/2 | 33 1/2 | 34 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 7 | 2305 | 45 1/2 | 29 1/2 | 29 1/2 | 29 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 206101 | 94 | 8 1/2 | 8 1/2 | 8 1/2 | 8 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 12435 | 107 1/2 | 102 1/2 | 105 1/2 | 105 1/2 | 105 1/2 | - 1/2 | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 18 | 246 | 10 1/2 | 12 | 12 | 12 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 20 | 21 1/2 | 21 1/2 | 21 1/2 | 21 1/2 | 21 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 237 | 22 1/2 | 22 1/2 | 22 1/2 | 22 1/2 | 22 1/2 | - 1/2 | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| - O - | | | | | | | | | | | | | | | |
| MCI Int | 8 | 81 | 17 1/2 | 16 1/2 | 16 1/2 | 16 1/2 | - 1/2 | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 30 | 2196 | 30 1/2 | 30 1/2 | 30 1/2 | 30 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 26 | 40 | 13 1/2 | 12 1/2 | 12 1/2 | 12 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 16 | 3238 | 10 | 10 1/2 | 10 1/2 | 10 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 7.40 | 8 | 11 | 51 | 51 | 51 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 1.88 | 11 | 18 1/2 | 4 1/2 | 4 1/2 | 4 1/2 | - 1/2 | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| - P - | | | | | | | | | | | | | | | |
| MCI Int | 1.20 | 15 | 3700 | 48 1/2 | 48 1/2 | 48 1/2 | + 1/2 | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |
| MCI Int | 0.40 | 20 | 15 1/2 | 15 1/2 | 15 1/2 | 15 1/2 | - | T-Cell S | 0.52 | 29 | 280 | 54 1/2 | 54 1/2 | + 1/2 | |

4. THE CLOSE AUGUST:

| | | | | | | | | | | | | | |
|---------------|------|---------|-----|-----|-----|-----|----------|----|------|-----|-----|-----|-----|
| Drift Star | 0.36 | 19 1779 | 36 | 25% | 38% | +14 | RFI SW | 20 | 1073 | u23 | 20% | 25% | +14 |
| Drift Star | 0.38 | 19 183 | 20 | 24% | 20% | +14 | RS test | | | | 1% | 1% | 14 |
| Transfer | 30 | 4% | 4% | 4% | 4% | | Immac | | | 36 | 8% | 8% | |
| Chaparral 1 | 1.00 | 18 814 | 54% | 25% | 33% | +14 | Immacrag | | 78 | 78 | 1% | 1% | 14 |
| Chaparral 2 | 0.44 | 18 814 | 54% | 25% | 33% | +14 | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 3 | 1.05 | 14 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 4 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 5 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 6 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 7 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 8 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 9 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 10 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 11 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 12 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 13 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 14 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 15 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 16 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 17 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 18 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 19 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 20 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 21 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 22 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 23 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 24 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 25 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 26 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 27 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 28 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 29 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 30 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 31 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 32 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 33 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 34 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 35 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 36 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 37 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 38 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 39 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 40 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 41 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 42 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 43 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 44 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 45 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 46 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 47 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 48 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 49 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 50 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 51 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 52 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 53 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 54 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 55 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 56 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 57 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 58 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 59 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 60 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 61 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 62 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 63 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 64 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 65 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 66 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 67 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 68 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 69 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 70 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 71 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 72 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 73 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 74 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 75 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 76 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 77 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 78 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 79 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 80 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 81 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 82 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 83 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 84 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 85 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 86 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 87 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 88 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 89 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 90 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 91 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 92 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 93 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 94 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 95 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 96 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 97 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 98 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 99 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |
| Chaparral 100 | 1.07 | 16 | 1% | 1% | 1% | | Inf Air | | 550 | 18% | 10% | 17% | |

EASDAQ

| EASDAQ | | | | | | | | | |
|--|--------|--------|-------------------|-------------|---------------|--------|-------|-------|-------|
| Non EASDAQ Market focused on high growth companies with international exposure. The share of | | | | | | | | | |
| age and size are through EASDAQ members | | | | | | | | | |
| Price | High | Low | Company | Issue Price | Change on day | Volume | High | Low | Price |
| | | | | | | | | | |
| 8.25 | 7.875 | | Limited & Hoagies | US\$22.125 | | 3000 | 34 | 25 | |
| | 11.125 | 9 | MTL | US\$10.70 | +0.75 | 3000 | 34 | 61.25 | |
| | 18 | 16.5 | Miner | US\$10.85 | -0.125 | 8 | 17.75 | 21.25 | |
| 750 | 7.85 | 4.5 | Paid | US\$5.65 | | 5.125 | 4.5 | 0 | |
| | 20.375 | 15.875 | Screened-Blackman | \$44.125 | -6 | 3670 | 1300 | 900 | |
| | 8.125 | 8.375 | Topical Int'l | \$24.35 | -13 | 2500 | 2363 | 3568 | |
| 12.25 | 5.875 | | Tutorbyte Technol | US\$3.65 | | 0 | 358 | 3.85 | |
| 10 | 12.75 | 10.125 | | | | | | | |

Additional information on EASDAQ can be found on the Web site at:

Dow starts lower but steadier

AMERICAS

Profit-takers stayed in control on Wall Street and the Dow Jones Industrial Average followed Friday's steep 156 point shakeout with further weakness, writes John Labate in New York.

By early afternoon the Dow had lost 18.48 at 6,012.64. The broader Standard & Poor's 500 index also fell back, losing 3.12 at 930.42. A drive to unload technology stocks led the Nasdaq composite index lower by 16.35 at 1,582.17.

"If there's one uniform theme, it's corrections in overbought assets," said Mr Richard Hoey, chief economist and director of equity research at Dreyfus Corp.

Mr Hoey believes a further incentive to sell is coming from the recent cut in the capital gains tax rate.

The long bond continued to move lower, although trading was described by dealers as thin. It came off at 96 1/2 to push the yield up to 6.53 per cent. Treasury investors are awaiting a retail sales report tomorrow which could give analysts more evidence of changes in consumer demand, and potentially rising inflation.

Among Dow stocks, Coca-Cola fell 1 1/4 at \$50.00 after an analyst downgraded the stock in the wake of the company's announcement

last week that third-quarter profits would be below the norm.

Leading computer stocks also moved lower, with Microsoft down \$2.48 at \$137 1/4 and Compaq Computer off \$3 or nearly 5 per cent at \$57 1/4.

Shares in publisher Readers' Digest Association surged 3 1/4 or more than 12 per cent to \$28 following the announcement that the chief executive would step down.

TORONTO continued to drive lower with fairly heavy losses among technology stocks and banks leading the way down.

At noon, the 300 composite index was off 59.55 at 6,855.60.

BCE, telecoms leader and Canada's biggest market cap, fell 95 cents or more than 2 per cent to \$41.10. Northern Telecom shed \$2.35 to \$41.90 and Newbridge Networks lost 80 cents to \$36.40.

Banks, heavily sold on Friday, stayed under a cloud with Royal Bank of Canada slipping a further 85 cents to \$64.65 and Toronto-Dominion Bank giving up 60 cents to \$42.70. Drinks and entertainments leader Seagram shed 30 cents to \$50.35.

Golds were mixed. Barrick Gold added 10 cents to \$39.00 but Placer Dome continued to lose ground, giving up 15 cents to \$25.10.

Mexico City nervous

Latin American centres remained weak in early trading yesterday. Dealers said the combination of roll-over sell orders from Friday and broad concern about direction on Wall Street continued to weigh heavily on sentiment.

MEXICO CITY traded nervously from the opening bell to notch up a loss of 45.05 to 5,030.00 on the IPC index at mid-session. Brokers said activity was nominal with institutions visibly absent-

ing themselves. "It's a slow start to the day," said one broker. Telcel, the market heavyweight, was off 15 centavos at 20.75 pesos.

SAO PAULO showed a mid-session loss of 114 at 12,015 on the Bovespa index. Volume was described by brokers as light. Telebras came off 0.8 per cent to R\$148.49. SANTIAGO ran up one of the morning's heavier losses, sliding 1.40 or 1 per cent to 132.68 on the IPSA index at mid-session.

Commerzbank bid talk steadies Frankfurt

EUROPE

Most bourses stayed weak, but trading yesterday was much steadier than on Friday when Wall Street came close to pressing the panic button.

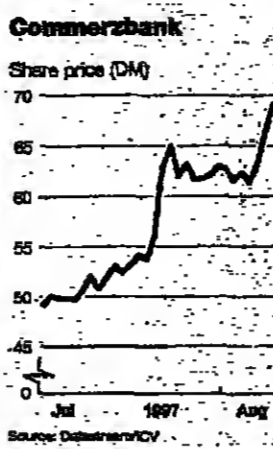
FRANKFURT ended off 9.16 at an Ibis-indicated 4,333.15 at the close of electronic trading after a better session for bonds and a modest rally for the dollar.

Commerzbank stayed firm, with news of the big financial merger in Switzerland between CS Group and Winterthur helping to fuel the takeover rumours that have blown up around the shares in recent sessions.

At 3.48m, volume was relatively heavy. "It's the same old story of a bid from either HSBC or ABN Amro," said one broker. The shares ended DM2.96 better at DM69.11 for a two-day gain of 7 per cent.

Continental reported a 47 per cent improvement in first half pre-tax profits and edged up DM1.50 to DM49.70 in 4.8m shares traded. BASF added DM1.16 to DM71.66, but Hoechst dipped 52p to DM82.61 ahead of tomorrow's interim figures.

Volkswagen was one of the day's heaviest big board casualties, sliding DM16.50 to DM132.15. Thyssen and Krupp-Hoesch gained from



talk that their steel link may lead to a full-blown merger. Thyssen rose DM11.00 to DM424 and Krupp-Hoesch gained DM8.00 to DM238.

Drugs group Akana came off DM43.50 or 23 per cent at DM143.5 as news that the company was abandoning clinical trials for a successor to its Pantoprazole anti-ulcer drug sparked a steep sell-off.

ZURICH looked to be less than impressed by CS Group's plans to turn itself into Switzerland's biggest financial group via the takeover of insurance leader Winterthur. Both shares eased, and at the end of the day the SMI index was 39.2 lower at 5,825.6.

There was said to be some disappointment that the

take-out price for Winterthur was SF1.53 and not closer to the SF2.00 that many analysts had been betting on. The hint from CS of initial earnings dilution in the deal also weighed on sentiment.

Winterthur rose to SF1.56 at one stage before settling to SF1.497 at the close, off SF1.80. CS was actively traded in 2.6m shares, but ended SF1.50 lower at SF1.205.

Other insurers were active. Zurich Insurance put on SF1.80 to SF1.632 while Baloise, widely seen as the next takeover candidate, leaped SF1.05 to SF1.035.

AMSTERDAM fretted about Wall Street, ending sharply weaker after abandoning attempts to recover lost ground. The AEX closed down 23.09 or 2.3 per cent at 973.07, off its low of 971.53. The AEX had traded as high as 985.37.

Brokers said institutional investors remained on the sidelines, waiting for US data releases later this week. They said private investors were eager sellers on fears that the stock market rally was over.

There was heavy trade in bank shares, which saw ABN Amro lose F1.20 or 4.4 per cent to F148.30 while ING shed F1.70 or 2.7 per cent to F198.80. KLM, a

| FTSE Actuaries Share Indices | | | | | | | | | |
|------------------------------|---------|---------|---------|---------------|---------|------|-----------|------|-----------|
| European series | | | | | | | | | |
| Index | Aug 11 | Aug 8 | Day's % | Change points | Yield % | at 4 | Total ret | at 4 | Total ret |
| FTSE 100 | 582.07 | 582.07 | -0.52 | -3.22 | 2.29 | 1.32 | 893.36 | - | - |
| FTSE 200 | 2298.71 | 2298.71 | -0.20 | -4.55 | - | - | - | - | - |
| FTSE 300 | 591.22 | 591.22 | -0.14 | -1.42 | 3.31 | 3.62 | 955.38 | - | - |
| FTSE 400 | 592.48 | 592.48 | -0.50 | -5.00 | 1.72 | 0.00 | 952.40 | - | - |
| FTSE 500 | 591.22 | 591.22 | -0.14 | -1.42 | 3.31 | 3.62 | 955.38 | - | - |
| FTSE 600 | 592.48 | 592.48 | -0.50 | -5.00 | 1.72 | 0.00 | 952.40 | - | - |
| FTSE 700 | 591.22 | 591.22 | -0.14 | -1.42 | 3.31 | 3.62 | 955.38 | - | - |
| FTSE 800 | 592.48 | 592.48 | -0.50 | -5.00 | 1.72 | 0.00 | 952.40 | - | - |
| FTSE 900 | 591.22 | 591.22 | -0.14 | -1.42 | 3.31 | 3.62 | 955.38 | - | - |
| FTSE 1000 | 592.48 | 592.48 | -0.50 | -5.00 | 1.72 | 0.00 | 952.40 | - | - |

strong market last week after its first-quarter results, fell F13.10 or 4 per cent to F174.10.

Publisher Wolters Kluwer bucked the trend, rising F13.50 to F128.50 as investors were said to have switched out of Elsevier.

PARIS struggled to find direction, opening sharply weaker and then straying briefly into positive territory before retreating again. The CAC 40 ended the day slightly lower at 2,983.44, down 12.83.

Activity was modest as traders showed signs of squaring their books ahead of the French national holiday on Friday. Thomson-CSF dipped FFR4.10 or 2.6 per

cent to FFR155.90 on a report that the government might abandon plans mooted by the previous administration to buy Rafale fighter planes. Thomson-CSF contributes parts for Rafale. The maker of the fighter planes, Dassault Aviation, dropped FFR4.00 to FFR1.358.

STOCKHOLM bucked the European trend, as the strong dollar and a buoyant financial services sector drove the market higher. The general index rose 17.93 to 3,245.19 with shares worth Skr1.83bn changing hands.

The market opened weaker in line with other bourses after Wall Street's slide, but a stronger dollar and perceptions that Swe-

den's economy was in good shape pushed shares into positive territory.

Merger talk, sparked by the deal between Winterthur and CS Group, helped the banking sector. Handelsbanken and SE Banken grabbed the attention, and the shares gained Skr2.50 to Skr272.00 and Skr4.00 to Skr98.50 respectively. SE Banken is scheduled to release half-year results today.

Telecoms group Ericsson reversed earlier losses to end Skr2.50 stronger at Skr368.50. Astra failed to hold on to early gains, closing flat at Skr142.00.

HELSINKI ended a touch lower after a brief attempt to break positive ground on the firmer dollar. The HEX index shed 9.18 to 3,600.54 after dipping to 3,569.7. Market leader Nokia ended off FM2.00 at FM469.00, after touching a low of FM461.00.

BUDAPEST fell sharply after disappointing earnings reports combined with Wall Street's shakeout on Friday to send investors rushing for the exits. The BUX index fell 485.64 or 5.8 per cent to 7,861.88, its second heaviest single session decline. Drugs group Egis Gyogyszergyar came off Ffr900 to Ffr1230 on reduced interim earnings.

Tokyo sheds 4% on dollar and economic woes

ASIA PACIFIC

Tokyo ran up its heaviest one-day loss this year following Friday's shakeout on Wall Street, dollar weakness against the yen and poor domestic economic data, writes Owen Robinson.

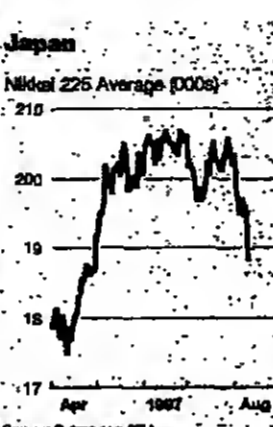
The Nikkei 225 average plunged 780.28 or 4 per cent to close at the day's low of 18,824.18.

Stock prices opened sharply lower on negative sentiment generated by Friday's slide in New York and growing concerns that Japan is trapped in a mini-economic downturn following the recent series of weak economic data.

The fall in Nikkei 225 index futures prompted arbitrageurs to pull out of cash stocks.

The dollar weakness hit leading exporters while general contractors and other domestic demand-reliant shares continued to slide on persistent concerns about their financial health. With many traders and investors absent for Japan's week-long Obon holiday, volume thinned, leaving the market vulnerable to manipulation by hedge funds and other large players.

Turnover dwindled from Friday's 491m shares to an estimated 354m. Declines overwhelmed advances 1,015 to 120, with 106 unchanged. The Topix index of all first-section stocks slid 43.58,



nearly 3 per cent, to 1,458.68 and the capital-weighted Nikkei 300 was down 9.05 at 285.42.

High technology and electrical issues also suffered from the sector's decline in New York. Sony fell ¥500 to ¥11,400, Toshiba to ¥3,550 and Kyocera to ¥3,810. Tokyo Electron slid ¥200 to ¥1,250 and Advantest ¥400 to ¥1,100.

Financial issues mostly lost ground, with the exception of Yamaichi Securities which rose ¥30 to ¥259 following the resignation of a number of the company's executives in the wake of financial scandals. Sakura Bank, the day's most active issue, fell ¥32 to ¥986, Industrial Bank of Japan ¥40 to ¥1,690 and Dai-ichi Kangyo Bank ¥60 to ¥1,460. Nomura fell ¥90 to ¥1,670.

Fuji Television, which made a strong debut on the Tokyo market on Friday, rose ¥15,000 to ¥785,000.

In Osaka, the OSE average followed Tokyo down, tumbling 459.77 to 19,773.79, although volume more than doubled to 35m shares.

In London the ISE/Nikkei 50 index gained 6.83 at 1,629.50.

HONG KONG reacted violently to Friday's downturn for bonds and equities in the US. The Hang Seng index fell by more than 300 points before settling at 15,460.47, down 187.07 or 1.1 per cent.

Property shares, a strong market lately, showed some of the sharpest losses. Henderson Land fell HK\$3.50 to HK\$71.50 and Cheung Kong

shed HK\$2.50 to HK\$93.75. HSBC lost HK\$3.00 at HK\$270 but Hang Seng Bank gained HK\$0.50 to HK\$108.50 on talk that HSBC is to sell a 10 per cent stake in its offshoot to Bank of China.

SYDNEY fell 44.2 or 1.6 per cent to 2,667.3 on the All Ordinaries index. BHP, which plunged lower last week following a string of management changes, clawed back 2 cents to A\$17.01 after touching a low of A\$16.7. News Corp came off 15 cents or 2.5 per cent to A\$5.92. Among banks, NAB lost 34 cents at A\$19.29 and ANZ 21 cents at A\$10.19.

WELLINGTON was caught up in the general shakeout, but volume was light. The 40 capital index came off 30.05

at 2,608.40 in turnover of NZ\$36.6m. NZ Telecom gave up 8 cents to NZ\$7.58.

KUALA LUMPUR fell to a 21-month low following a sharp depreciation in the ringgit. The composite index was down 30.22 or 3.2 per cent at 902.14, having fallen through the 900 level earlier in the day.

The ringgit fell to a 42-month low of M\$2.73 to the dollar after official comments which appeared to favour a weak currency. Telekom Malaysia lost 30 cents to M\$2.70 and Malaysian Bank dipped 70 cents to M\$21.70.

MANILA tumbled for the third session as currency concerns and interest rate worries weighed on senti-

ment. The main index fell 75.4 or 2.85 per cent to close at 3,572.43, the biggest single session drop in more than a month.

The property sector was especially hard hit by the interest rate concerns, with the property index plunging more than 4 per cent to 1,278.18. Ayala Land was the biggest loser, shedding 1.25 peso or almost 6 per cent to 19.75 pesos.

JAKARTA also suffered as foreign investor perceptions of the region worsened. The composite index fell 17.27 or 2.6 per cent to close at 608.17. Analysis said renewed currency worries had spooked the Jakarta market, already down 8.4 per cent last week on interest rate worries.

| MARKETS IN PERSPECTIVE | | | | | | | | | |
|----------------------------|--------|---------|--------|---------------|---------------|---------------|---------------|---------------|---------------|
| % change in local currency | | | | | | | | | |
| | 1 Week | 4 Weeks | 1 Year | Start of 1997 | Start of 1997 | Start of 1997 | Start of 1997 | Start of 1997 | Start of 1997 |
| Austria | -2.32 | +4.51 | +38.84 | +26.20 | +13.74 | +4.90 | | | |
| Belgium | -4.20 | -1.74 | +38.16 | +26.81 | +13.90 | +5.06 | | | |
| Denmark | -2.00 | -0.12 | +51.13 | +31.69 | +19.34 | +10.08 | | | |
| Finland | -0.18 | +8.15 | +43.90 | +30.36 | +35.89 | +25.15 | | | |
| France | -1.59 | +1.69 | +47.29 | +27.81 | +15.06 | +6.15 | | | |
| Germany | -1.01 | +7.28 | +46.21 | +47.15 | +32.88 | +22.37 | | | |
| Ireland | +1.72 | +6.87 | +45.75 | +33.93 | +23.17 | +13.60 | | | |
| Italy | -1.13 | +3.88 | +52.65 | +40.83 | +28.45 | +18.48 | | | |
| Netherlands | +1.68 | +6.33 | +81.14 | +63.78 | +38.12 | +27.39 | | | |
| Norway | +2.71 | +5.94 | +56.81 | +33.16 | +21.32 | +11.90 | | | |
| Spain | +0.78 | +4.87 | +71.05 | +34.08 | +20.89 | +11.81 | | | |
| Sweden | +2.25 | +2.87 | +70.23 | +48.94 | +31.27 | +21.17 | | | |
| Switzerland | -0.49 | +1.49 | +58.50 | +42.56 | +24.55 | +14.55 | | | |
| UK | +2.91 | +5.07 | +27.90 | +18.31 | +18.31 | +10.04 | | | |
| EUROPE | +0.76 | +4.01 | +48.09 | +32.76 | +25.34 | +15.61 | | | |
| Australia | -0.71 | +0.28 | +25.22 | +14.30 | +14.09 | +5.23 | | | |
| Hong Kong | +2.43 | +3.90 | +35.45 | +14.00 | +23.50 | +12.91 | | | |
| Indonesia | -8.88 | -8.74 | +21.30 | +0.96 | -0.73 | -8.44 | | | |
| Japan | -0.32 | +0.82 | +1.63 | +4.00 | +12.95 | +4.18 | | | |
| Malaysia | -7.81 | -7.15 | +16.42 | +25.66 | +24.70 | +30.55 | | | |
| New Zealand | -2.08 | -0.35 | +16.92 | +8.48 | +5.61 | -2.41 | | | |
| Philippines | +1.22 | -0.81 | +18.34 | +20.22 | +20.46 | +26.63 | | | |
| Singapore | -4.24 | -5.19 | +4.83 | +10.21 | -8.05 | -15.12 | | | |
| Thailand | -2.56 | +4.17 | +51.10 | +24.23 | +32.70 | +37.93 | | | |
| Canada | +0.68 | +3.58 | +40.72 | +18.47 | +26.55 | +16.72 | | | |
| USA | -1.47 | +2.01 | +40.41 | +25.50 | +36.07 | +25.50 | | | |
| Brazil | +7.44 | +7.40 | +59.43 | +52.89 | +45.53 | +32.89 | | | |
| Mexico | -0.20 | +3.30 | +63.23 | +47.32 | +60.91 | +46.41 | | | |
| South Africa | +1.86 | +3.21 | +11.01 | +12.19 | +21.87 | +12.41 | | | |
| WORLD INDEX | -0.57 | +2.36 | +31.93 | +22.05 | +27.21 | +17.33 | | | |

FTSE ACTUARIES WORLD INDICES

The FTSE Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. Net Worth Securities Ltd. was a co-founder of the indices.

| NATIONAL AND REGIONAL MARKETS | | | | | | | | | | DOLLAR INDEX | | | | | | | | | |
|---|-----------------|----------------|----------------------|-----------|----------|----------------------|-----------------|------------------|-----------------|------------------------|-----------|----------|----------------------|--------------|-------------|-------------------|--|--|--|
| FRIDAY AUGUST 2 1987 | | | | | | | | | | THURSDAY AUGUST 7 1987 | | | | | | | | | |
| Figure in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 52 week High | 52 week Low | Year ago (approx) | | | |
| Australia (76) | 223.51 | -0.6 | 181.15 | 171.04 | 224.96 | 212.38 | -0.3 | 3.80 | 220.72 | 220.34 | 176.56 | 228.57 | 213.03 | 243.87 | 187.86 | 199.70 | | | |
| Austria (29) | 192.22 | -0.3 | 187.14 | 148.93 | 191.82 | 181.82 | -1.7 | 1.71 | 200.95 | 187.29 | 150.53 | 195.71 | 181.00 | 200.00 | 174.70 | 170.00 | | | |
| Belgium (29) | 239.21 | -0.6 | 224.70 | 173.22 | 230.45 | 225.82 | -1.0 | 3.03 | 230.77 | 240.67 | 180.88 | 235.17 | 215.00 | 240.00 | 190.00 | 190.00 | | | |
| Brazil (30) | 289.80 | -1.3 | 272.04 | 212.13 | 279.00 | 274.59 | -1.2 | 1.27 | 293.34 | 294.20 | 216.12 | 286.98 | 268.54 | 322.44 | 172.54 | 158.00 | | | |
| Canada (127) | 221.59 | -1.0 | 208.15 | 162.31 | 213.48 | 203.24 | -0.8 | 1.82 | 223.89 | 202.82 | 167.70 | 218.00 | 224.00 | 220.00 | 192.50 | 179.70 | | | |
| Denmark (32) | 307.48 | -0.7 | 283.93 | 231.79 | 313.25 | 311.87 | -0.4 | 1.37 | 304.63 | 283.54 | 208.11 | 374.50 | 323.25 | 322.50 | 214.82 | 215.00 | | | |
| Finland (28) | 307.43 | -1.4 | 288.76 | 225.19 | 296.17 | 287.26 | -2.8 | 1.54 | 304.63 | 283.54 | 208.11 | 374.50 | 323.25 | 322.50 | 214.82 | 215.00 | | | |
| France (83) | 227.23 | -0.8 | 213.46 | 166.45 | 218.92 | 222.82 | -1.8 | 2.37 | 228.57 | 216.14 | 172.11 | 222.51 | 228.57 | 227.67 | 180.00 | 144.00 | | | |
| Germany (86) | 236.90 | -0.1 | 218.40 | 170.30 | 223.99 | 223.59 | -1.2 | 1.27 | 240.84 | 217.65 | 174.41 | 226.76 | 226.76 | 238.02 | 172.83 | 165.00 | | | |
| Hong Kong (88) | 577.37 | -0.4 | 540.58 | 420.07 | 568.43 | 574.05 | -0.4 | 2.67 | 577.37 | 540.58 | 420.07 | 568.43 | 574.05 | 577.37 | 415.00 | 405.00 | | | |
| Indonesia (27) | 208.93 | -1.6 | 186.26 | 153.04 | 201.28 | 193.89 | -1.2 | 1.85 | 212.79 | 199.18 | 145.47 | 206.00 | 206.00 | 212.79 | 145.00 | 145.00 | | | |
| Italy (77) | 373.59 | 0.8 | 350.93 | 273.69 | 369.81 | 368.64 | 0.5 | 2.66 | 370.74 | 345.55 | 277.70 | 361.06 | 346.81 | 374.84 | 254.26 | 287.17 | | | |
| Japan (468) | 194.46 | 2.7 | 126.21 | 98.49 | 129.54 | 98.49 | 0.5 | 0.80 | 179.24 | 160.05 | 105.56 | 98.94 | 134.12 | 105.79 | 73.08 | 77.00 | | | |
| Malaysia (107) | 1418.94 | -2.1 | 1383.53 | 1038.07 | 1403.90 | 1345.90 | -0.1 | 1.80 | 1427.82 | 1366.81 | 99.03 | 127.45 | 108.65 | 148.50 | 117.37 | 107.00 | | | |
| Mexico (27) | 1810.34 | -0.8 | 1710.58 | 1326.05 | 1744.09 | 1546.45 | -2.3 | 1.45 | 1891.24 | 1799.82 | 150.18 | 1812.65 | 1803.01 | 1894.36 | 1225.29 | 1289.00 | | | |
| Netherlands (19) | 428.28 | -0.8 | 402.27 | 313.88 | 412.96 | 408.12 | -1.9 | 1.81 | 431.66 | 405.90 | 323.34 | 420.39 | 413.66 | 451.98 | 286.89 | 286.89 | | | |
| New Zealand (14) | 39.38 | -0.7 | 34.13 | 26.50 | 36.28 | 34.82 | -0.2 | 0.89 | 39.38 | 37.57 | 26.50 | 35.15 | 37.57 | 39.38 | 26.50 | 26.50 | | | |
| Norway (41) | 300.72 | -0.6 | 281.87 | 242.25 | 293.82 | 281.09 | -0.8 | 1.80 | 326.60 | 307.44 | 244.56 | 320.31 | 345.70 | 300.00 | 250.00 | 230.00 | | | |
| Philippines (22) | 149.40 | -0.8 | 140.34 | 108.43 | 143.83 | 132.94 | -0.7 | 0.96 | 150.67 | 140.54 | 112.86 | 147.34 | 214.37 | 214.07 | 107.00 | 107.00 | | | |
| Singapore (42) | 359.05 | -1.3 | 344.40 | 280.80 | 343.02 | 343.00 | -0.5 | 1.25 | 360.63 | 337.10 | 270.13 | 351.22 | 344.88 | 380.01 | 306.00 | 306.00 | | | |
| South Africa (40) | 257.94 | -0.3 | 238.24 | 202.18 | 244.84 | 238.04 | -0.8 | 2.38 | 257.94 | 238.24 | 202.18 | 244.84 | 238.04 | 257.94 | 202.18 | 202.18 | | | |
| Spain (29) | 245.10 | -0.1 | 230.29 | 178.33 | 236.12 | 230.37 | -1.1 | 2.29 | 245.29 | 228.28 | 183.29 | 236.00 | 236.00 | 278.00 | 177.72 | 177.72 | | | |
| Sweden (49) | 511.21 | -0.1 | 480.21 | 374.48 | 490.61 | 480.61 | -1.5 | 1.72 | 511.69 | 487.21 | 383.28 | 498.33 | 607.82 | 611.85 | 392.11 | 392.11 | | | |
| Switzerland (33) | 313.86 | -0.4 | 284.64 | 228.75 | 302.16 | 295.00 | -0.9 | 1.14 | 312.49 | 295.14 | 204.07 | 304.33 | 329.40 | 329.40 | 251.86 | 251.86 | | | |
| Thailand (42) | 311.81 | -1.4 | 284.64 | 228.75 | 302.16 | 295.00 | -0.9 | 1.14 | 312.49 | 295.14 | 204.07 | 304.33 | 329.40 | 329.40 | 251.86 | 251.86 | | | |
| United Kingdom (71) | 311.81 | -1.3 | 292.72 | 228.25 | 302.16 | 295.00 | -0.9 | 1.14 | 315.74 | 295.14 | 204.07 | 304.33 | 329.40 | 329.40 | 251.86 | 251.86 | | | |
| United States (219) | 311.81 | -1.8 | 355.65 | 247.88 | 334.04 | 338.72 | -1.9 | 1.83 | 368.20 | 330.90 | 229.00 | 370.01 | 397.08 | 367.87 | 264.75 | 264.75 | | | |
| US Dollar Index (229) | 311.81 | -1.8 | 355.65 | 247.88 | 334.04 | 338.72 | -1.9 | 1.83 | 368.20 | 330.90 | 229.00 | 370.01 | 397.08 | 367.87 | 264.75 | 264.75 | | | |
| Europe (81) | 277.08 | -0.6 | 260.26 | 202.60 | 266.92 | 271.48 | -1.2 | 2.36 | 273.85 | 260.60 | 202.60 | 268.88 | 271.58 | 274.78 | 254.44 | 212.37 | | | |
| Asia-Pacific (150) | 431.61 | -0.1 | 405.83 | 313.26 | 416.01 | 404.16 | -1.4 | 1.65 | 432.30 | 404.16 | 313.26 | 421.02 | 452.67 | 473.88 | 307.21 | 307.21 | | | |
| Pacific Basin (891) | 152.78 | -1.8 | 143.52 | 111.91 | 147.19 | 113.48 | -0.2 | 1.28 | 150.04 | 140.26 | 112.39 | 148.13 | 113.20 | 126.92 | 127.18 | 159.92 | | | |
| Europe-Pacific (199) | 204.64 | -1.6 | 182.25 | 146.81 | 187.29 | 182.00 | -0.9 | 1.28 | 204.64 | 182.25 | 146.81 | 187.29 | 182.00 | 212.29 | 173.55 | 185.00 | | | |
| North America (76) | 305.12 | -0.7 | 289.19 | 228.19 | 291.81 | 289.50 | -0.8 | 1.83 | 317.04 | 281.21 | 228.19 | 291.81 | 289.50 | 317.04 | 228.19 | 228.19 | | | |
| Asia-Pacific (80) | 261.70 | -0.9 | 238.44 | 184.37 | 242.49 | 238.78 | -1.4 | 1.76 | 252.29 | 235.95 | 183.06 | 245.51 | 256.76 | 255.75 | 191.01 | 192.94 | | | |
| North America (76) | 305.12 | -0.9 | 289.26 | 227.73 | 292.69 | 289.68 | -0.4 | 2.88 | 313.74 | 293.29 | 193.01 | 305.55 | 316.47 | 320.85 | 280.04 | 280.04 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | 182.98 | | | |
| World Excl. US (1233) | 208.92 | -0.3 | 198.25 | 158.33 | 202.27 | 179.90 | -0.5 | 1.98 | 206.33 | 194.74 | 150.05 | 202.89 | 211.29 | 219.98 | 176.94 | | | | |